

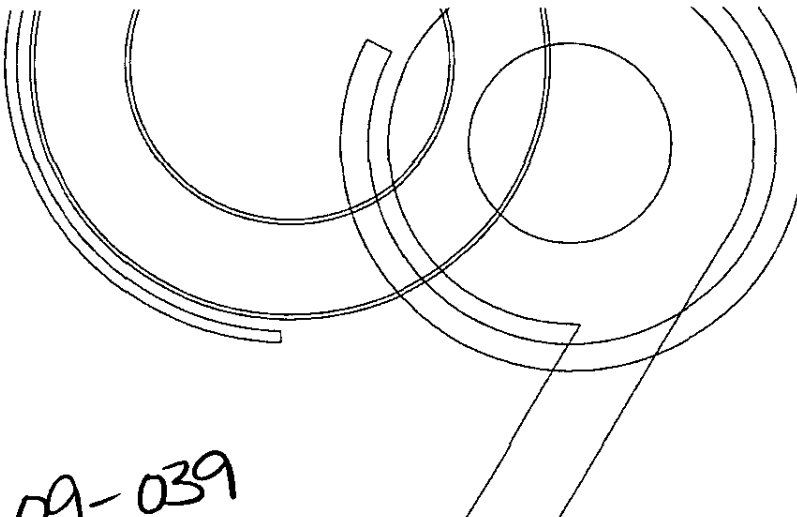
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Out of the Ordinary®

 Investec

RE-SCAN

Investec Annual Report  
2009



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## Corporate information

### Investec plc and Investec Limited

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#### Internet address

[www.investec.com](http://www.investec.com)

#### Registration number

Investec plc  
Reg No 3633621  
Investec Limited  
Reg No 1925/002833/06

#### Auditors

Ernst & Young LLP  
Ernst & Young Inc

#### Transfer Secretaries in the UK

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Telephone (44) 870 702 0001

#### Transfer Secretaries in South Africa

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#### Directorate

##### Executive directors

Stephen Koseff (Chief Executive Officer)  
Bernard Kantor (Managing Director)  
Glynn R Burger (Group Risk and Finance Director)  
Alan Tapnack

##### Non-executive directors

Hugh S Herman (Non-executive Chairman)  
Sam E Abrahams  
George F O Alford  
Cheryl C Carolus  
Haruko Fukuda OBE  
Geoffrey M T Howe  
Ian R Kantor  
Sir Chips Keswick (Senior Independent NED)  
Peter M Malungani  
Sir David Prosser  
Peter R S Thomas  
Fani Titi

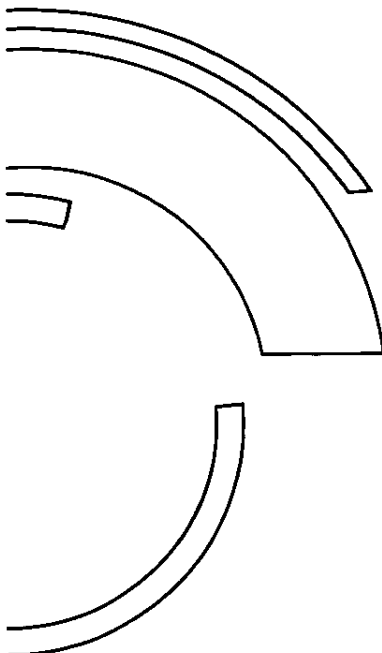
#### Investec offices - contact details

Refer to page 343

For queries regarding information in this document

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## Overview of the Investec group

### Who we are

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

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

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

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

### What we do

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

Our strategic goals and objectives are based on the aspiration to be recognised as a distinctive specialist banking group. 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.

### Mission statement

We strive to be a distinctive specialist banking group, driven by commitment to our core philosophies and values.

### Values

- Outstanding talent – empowerment, enabled and inspired
- Mentocracy
- Passion, energy, stamina, tenacity
- Entrepreneurial spirit

#### Distinctive Performance

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

#### Dedicated Partnerships

#### Client Focus

- Distinctive offering
- Leverage resources
- Break chains for the client

#### Cast-iron Integrity

- Moral strength
- Risk consciousness
- Highest ethical standards

### Philosophies

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



# Snapshot of the year

## Overview

- Investec recorded another resilient performance
- Operating profits reported across all geographies, supported by
  - A diversified business model
  - A sound balance sheet with low leverage
  - A solid recurring revenue base
- We emerged from this period with our capacity to compete, our brand and our entrepreneurial spirit unimpeded
- Disciplined focus by management across the group to build capital, preserve liquidity and maintain efficiency
- ROE and adjusted earnings per share (EPS) targets were difficult to achieve given the challenging economic conditions
- Adjusted EPS declined by 25.5% as a result of reduced activity levels, lower asset valuations and the weaker credit cycle – the credit loss ratio increased in line with expectations to 1.1%

## Financial objectives\*\*

|                        | Target in £     | 31 March 2009          | 31 March 2008          |
|------------------------|-----------------|------------------------|------------------------|
| ROE                    | >20%            | 14.8%                  | 23.6%                  |
| Cost to income ratio   | <65%            | 55.9%                  | 56.1%                  |
| Adjusted EPS* growth   | 10%             | (25.5%)                | 6.8%                   |
|                        | >UK RPI         |                        |                        |
| Dividend cover         | 1.7 - 3.5 times | 3.3                    | 2.3                    |
| Capital adequacy ratio | 14% - 17%       | plc 16.2%<br>Ltd 14.2% | plc 15.3%<br>Ltd 13.9% |
|                        | Tier 1 >11%     | plc 10.1%<br>Ltd 10.8% | plc 9.2%<br>Ltd 10.0%  |

\* before goodwill, non-operating items and after minorities

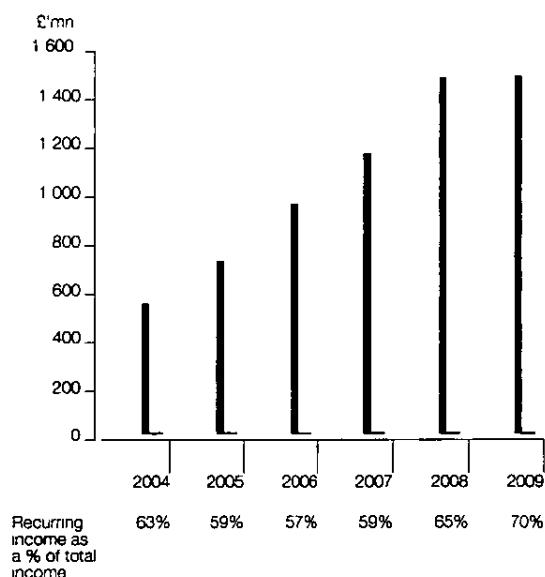
\*\* These targets were originally disclosed in May 2004 and are medium to long-term targets. We aim to achieve them through varying market conditions. The capital adequacy and dividend cover targets were revised in November 2008.

## Financial features

- Operating profit\* before impairment losses on loans and advances increased 4.8% to £652.9 million
- Operating profit\* before taxation decreased 22.0% to £396.8 million
- Adjusted earnings attributable to shareholders\* decreased 21.9% to £269.2 million
- Recurring income as a percentage of total operating income increased to 70.0%
- Tangible net asset value per share increased 23.9% to 266.3 pence
- Core loans and advances to customers increased 26.2% to £16.2 billion
- Third party assets under management decreased by 7.4% to £48.8 billion
- Customer deposits increased 20.1% to £14.6 billion
- Proposed full year dividend decreased 48.0% to 13.0 pence

## Continued focus on building our recurring income . . . to ensure a sustainable earnings base

Total operating income

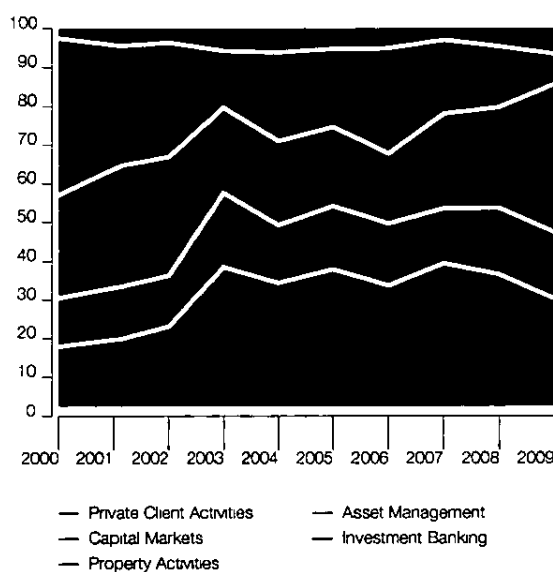


- Other income (largely operating income from associates)
- Principal transactions and other operating income
- Net fee and commission income
- Net interest income

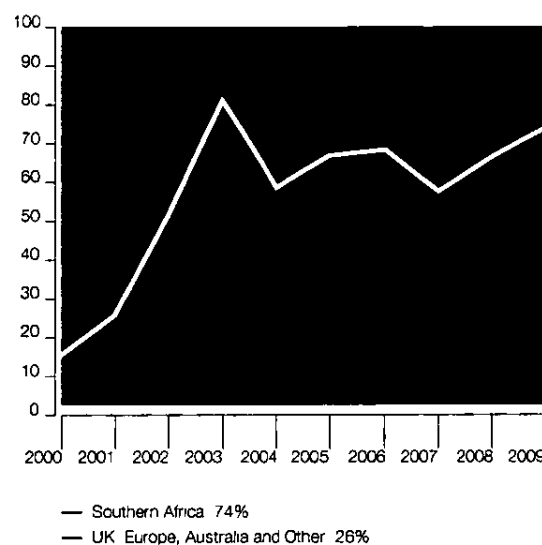
## Snapshot of the year

A diversified business model . . . stood us in good stead during the down turn

% contribution to operating profit\* (excluding Group Services and Other Activities)



% contribution to operating profit\*

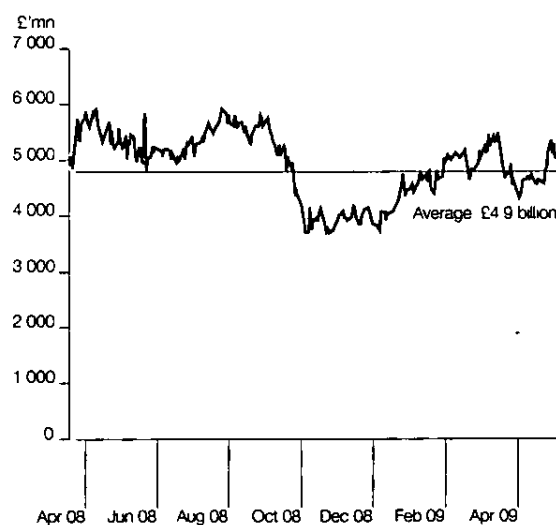


\* before goodwill, non-operating items, taxation and after minorities

## Balance sheet strength . . . stringent management of liquidity

- The intimate involvement of senior management ensures stringent management of risk and liquidity
- A well established liquidity management philosophy
- Continue to focus on
  - Maintaining a high level of readily available, high quality liquid assets - representing 20% to 30% of our liability base
  - Diversifying funding sources
  - Limiting concentration risk
  - Maintaining a low reliance on interbank wholesale funding to fund core lending
- Customer deposits have held up well over the period
- Active campaigns to build our retail deposit franchise have been launched in the UK, Ireland and Australia and more recently in South Africa
- Total net retail and private client inflows since December 2008 of about £1 billion
- We have been successful in securing medium term syndicated loans due to our long standing counterparty relationships
- The bank in the UK is eligible to issue 3 year debt guaranteed by the UK government
- Investec Bank (Australia) Limited is eligible to issue government backed debt and has recently completed a 3 year and 5 year government guaranteed fixed rate transferable deposit issue

Surplus cash and near cash



Total 31 March 2009  
Investec Limited  
Investec plc

£4.9bn  
£2.4bn  
£2.5bn

## Snapshot of the year

### Balance sheet strength . . . good progress towards capital targets

- Our policy has always been to hold capital well in excess of regulatory requirements and we intend to perpetuate this philosophy
- We maintained capital strength throughout the period without recourse to shareholders, new investors or government assistance
- We are focusing on increasing our capital base and have revised our capital adequacy targets
- We have made good progress in achieving these targets and intend on meeting these targets by the end of calendar year 2010

| Basel II Pillar 1<br>31 March 2009 | Capital<br>adequacy<br>ratio | Tier 1<br>ratio |
|------------------------------------|------------------------------|-----------------|
| Investec plc                       | 16.2%                        | 10.1%           |
| Investec Bank plc                  | 15.9%                        | 10.3%           |
| Investec Bank (Australia) Limited  | 18.3%                        | 14.4%           |
| Investec Limited                   | 14.2%                        | 10.8%           |
| Investec Bank Limited              | 14.2%                        | 10.5%           |

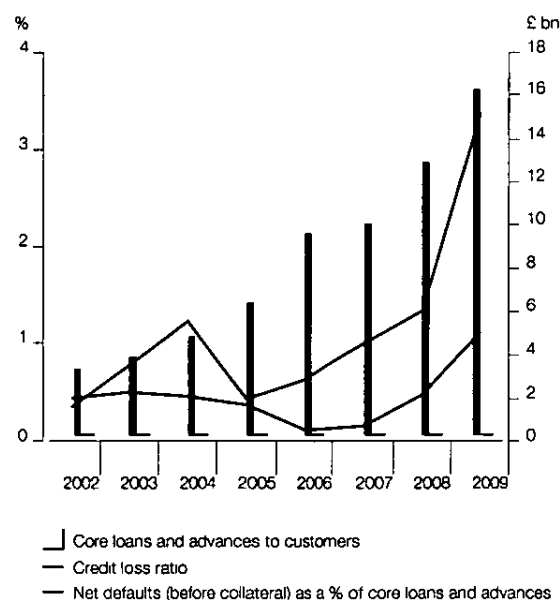
### Balance sheet strength . . . low leverage ratios

|                                                                                               | 31 March<br>2009 | 31 March<br>2008 |
|-----------------------------------------------------------------------------------------------|------------------|------------------|
| Core loans to equity ratio                                                                    | 6.2x             | 5.8x             |
| Core loans (excluding own originated assets which have been securitised) to customer deposits | 1.0x             | 1.0x             |
| Total gearing (excluding assurance assets)                                                    | 12.9x            | 13.8x            |
| Total gearing (excluding assurance and securitised assets)                                    | 11.7x            | 12.1x            |

### Balance sheet strength . . . impairments and defaults have increased as expected

- All geographies have experienced an increase in impairments and defaults as a result of weak economic conditions
- Credit risk however, remains appropriately managed and net defaults (after collateral and impairments) would be covered 100%
- Credit and counterparty exposures are to select target markets
  - Private Bank lends to high net worth and high income clients
  - Capital Markets transacts primarily with mid to large sized corporates, public sector bodies and institutions

Defaults and core loans



## Strategic focus

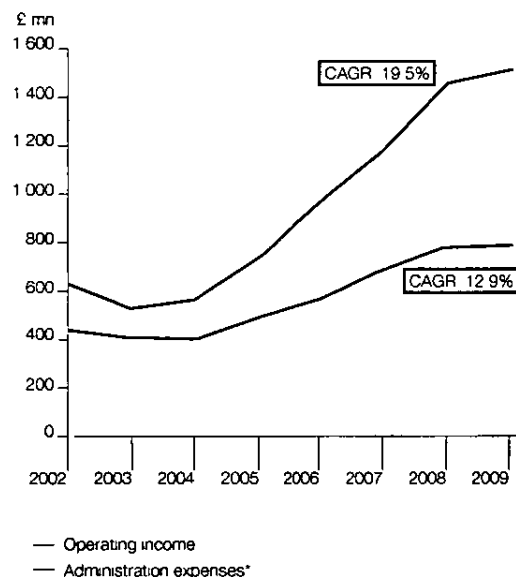
### Medium-term strategy continues

- We are a niched and focused specialist banking group constantly striving to be distinctive
- We continue to focus on
  - Moderating loan growth, shifting emphasis to increasing the proportion of non-lending revenue base
  - Maintaining credit quality
  - Strictly managing risk and liquidity
  - Creating additional operational efficiencies and containing costs
  - Building business depth rather than business breadth by deepening existing client relationships and generating high quality income through diversified sustainable revenue streams
  - Proactively building our brand

### Maintaining efficiency . . . cost to income ratio declined to 55.9%

- Total headcount is being tightly managed across the group
- Expense growth (excluding variable remuneration) is targeted below the respective inflation rates in each of the core geographies
- A non-cash deferred component has been introduced to variable remuneration payments

Efficiency ratio

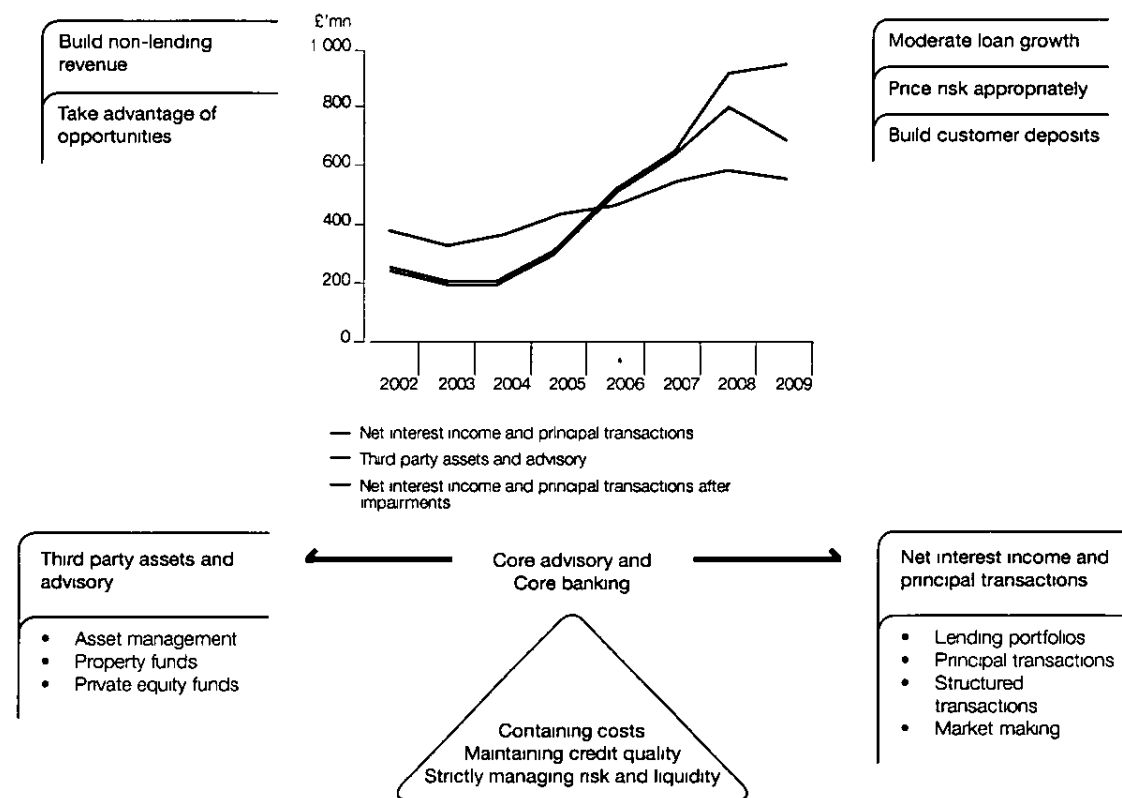


\* Before investments consolidated in the Private Equity portfolio

## Strategic focus

Continually realigning the business model . . . balancing operational risk businesses with financial risk businesses

Overview of the year



## Outlook

- The outlook for the global economy is uncertain and markets are likely to remain volatile
- There have been some positive signals recently but this was a financial crisis like no other and the knock-on effect to global growth cannot be fully assessed yet
- The competitive landscape has changed and our brand continues to gain recognition
- We are independent and have a distinct franchise
- We have strengthened our capital position and will continue to safeguard our liquidity
- We believe that the market upheaval will present opportunities to strengthen our position across our core geographies and enable us to move onto the front foot

## Summary of results

|                                                                                                                 | 31 March<br>2009 | 31 March<br>2008 | %<br>change |
|-----------------------------------------------------------------------------------------------------------------|------------------|------------------|-------------|
| <b>Income statement and selected returns</b>                                                                    |                  |                  |             |
| Operating profit before goodwill, non-operating items, taxation, impairments and after minorities (£'000)       | 652 939          | 622 902          | 4.8%        |
| Operating profit before goodwill, non-operating items, taxation and after minorities (£'000)                    | 396 766          | 508 717          | (22.0%)     |
| Operating profit before goodwill, non-operating items, taxation and after minorities SA (% of total)            | 74.0%            | 66.7%            |             |
| Operating profit before goodwill, non-operating items, taxation and after minorities Non-SA (% of total)        | 26.0%            | 33.3%            |             |
| Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items (£'000)         | 269 215          | 344 695          | (21.9%)     |
| Headline earnings attributable to ordinary shareholders (£'000)                                                 | 261 627          | 301 499          | (13.2%)     |
| Cost to income ratio                                                                                            | 55.9%            | 56.1%            |             |
| Staff compensation to operating income ratio                                                                    | 34.9%            | 37.2%            |             |
| Return on average adjusted shareholders' equity (post-taxation)                                                 | 14.8%            | 23.6%            |             |
| Return on average adjusted tangible shareholders' equity (post-taxation)                                        | 17.4%            | 28.6%            |             |
| Operating profit per employee (£'000)                                                                           | 62.6             | 84.4             | (25.8%)     |
| Net interest income as a percentage of operating income net of insurance claims                                 | 46.6%            | 39.3%            |             |
| Non-interest income as a percentage of operating income net of insurance claims                                 | 53.4%            | 60.7%            |             |
| Recurring income as a percentage of total operating income net of insurance claims                              | 70.0%            | 65.1%            |             |
| Effective operational taxation rate                                                                             | 21.1%            | 22.6%            |             |
| <b>Balance sheet</b>                                                                                            |                  |                  |             |
| Total capital resources (including subordinated liabilities) (£'million)                                        | 3 762            | 3 275            | 14.9%       |
| Total shareholders' equity (including preference shares and minority interests) (£'million)                     | 2 621            | 2 210            | 18.6%       |
| Shareholders' equity (excluding minority interests) (£'million)                                                 | 2 297            | 1 911            | 20.2%       |
| Total assets (£'million)                                                                                        | 37 105           | 34 104           | 8.8%        |
| Core loans and advances to customers (including own originated securitised assets) (£'million)                  | 16 227           | 12 854           | 26.2%       |
| Core loans and advances to customers as a percentage of total assets                                            | 43.7%            | 37.7%            |             |
| Customer deposits (accounts) (£'million)                                                                        | 14 573           | 12 133           | 20.1%       |
| Third party assets under management (£'million)                                                                 | 48 828           | 52 749           | (7.4%)      |
| Capital adequacy ratio Investec plc                                                                             | 16.2%            | 15.3%            |             |
| Capital adequacy ratio Investec Limited                                                                         | 14.2%            | 13.9%            |             |
| Credit loss ratio                                                                                               | 1.1%             | 0.5%             |             |
| Defaults (net of impairments and before collateral) as a percentage of net core loans and advances to customers | 3.3%             | 1.3%             |             |
| Gearing ratio (assets excluding assurance assets to total equity)                                               | 12.9x            | 13.8x            |             |
| <b>Salient financial features and key statistics</b>                                                            |                  |                  |             |
| Adjusted earnings per share (pence)                                                                             | 42.4             | 56.9             | (25.5%)     |
| Headline earnings per share (pence)                                                                             | 41.2             | 49.7             | (17.1%)     |
| Basic earnings per share (pence)                                                                                | 38.5             | 57.7             | (33.3%)     |
| Diluted earnings per share (pence)                                                                              | 36.1             | 54.0             | (33.1%)     |
| Dividends per share (pence)                                                                                     | 13.0             | 25.0             | (48.0%)     |
| Dividend cover (times)                                                                                          | 3.3              | 2.3              |             |
| Net tangible asset value per share (pence)                                                                      | 266.3            | 215.0            | 23.9%       |
| Weighted number of ordinary shares in issue (million)                                                           | 634.6            | 606.2            | 4.7%        |
| Total number of shares in issue (million)                                                                       | 713.2            | 657.6            | 8.5%        |
| Closing share price (pence)                                                                                     | 292              | 339              | (13.9%)     |
| Market capitalisation (£'million)                                                                               | 2 083            | 2 229            | (6.6%)      |
| Number of employees in the group                                                                                | 5 951            | 6 333            | (6.0%)      |
| Closing ZAR/£ rate                                                                                              | 13.58            | 16.17            | (16.0%)     |
| Average ZAR/£ rate                                                                                              | 14.83            | 14.31            | 3.6%        |

### Notes

Refer to definitions on page 320. A ten year review is provided on page 32.

## Presentation of financial information

In terms of the contracts constituting the DLC structure, Investec plc and Investec Limited effectively form a single economic enterprise in which the economic and voting rights of ordinary shareholders of the companies are maintained in equilibrium relative to each other. The directors of the two companies consider that for financial reporting purposes, the fairest presentation is achieved by combining the results and financial position of both companies.

Accordingly, the year end results for Investec plc and Investec Limited present the results and financial position of the combined DLC group under International Financial Reporting Standards (IFRS), denominated in Pounds Sterling.

All references in this document to Investec or the group relate to the combined DLC group comprising Investec plc and Investec Limited.

## Operating Financial Review

### A sound balance sheet and operational diversity support profitability in challenging economic conditions

Financial year 2009 was one of the toughest in our history. Global financial markets experienced a series of extraordinary and tumultuous events which humbled most financial institutions. In response to this environment, we took swift action to adapt our business model with a focused approach by management across the group to build capital, preserve liquidity and maintain efficiency. This action, together with our balanced portfolio of businesses, enabled us to navigate a steady course and we have emerged from this period with our capacity to compete, our brand and our entrepreneurial spirit intact.

The strength of our operational diversity and a solid recurring revenue base enabled all geographies to remain profitable. Nevertheless, the environment did negatively impact activity levels, asset valuations and credit loss ratios with adjusted earnings per share before goodwill and non-operating items declining 25.5% to 42.4 pence (2008: 56.9 pence). The board recommended a final dividend of 5.0 pence per ordinary share bringing total dividends per share for the year to 13.0 pence, down from 25.0 pence in 2008.

### Focus to strengthen capital and safeguard liquidity while maintaining efficiency

Throughout the financial crisis we have benefited from a stable balance sheet and the intimate involvement of senior management in monitoring risk and liquidity. The group holds capital well in excess of regulatory requirements and was able to increase the capital adequacy ratio for Investec plc from 15.3% at the beginning of the financial year to 16.2% at the end of the period and from 13.9% to 14.2% for Investec Limited. We intend to ensure that the group remains well capitalised in a transformed capital environment and have revised our internal capital requirements accordingly.

Safeguarding liquidity has been a key management priority for many years with the group holding, on average over the financial year, some £4.9 billion of cash and near cash to support its activities. Diversifying funding sources is also an important focus and a number of initiatives were implemented to increase private client and retail deposits. Strong retail inflows of £1 billion were recorded in the final quarter. Furthermore, active campaigns to build the group's retail deposit franchise were launched in the UK, Ireland and Australia towards the end of 2008, and more recently in South Africa. Our long standing counterparty relationships proved fruitful with several medium term syndicated loans being secured during the period.

In contrast to many of our international peers, we have consistently maintained low gearing ratios. This is represented by core loans and advances to equity at 6.2 times (2008: 5.8 times) and total assets (excluding assurance assets) to equity at 12.9 times (2008: 13.8 times).

Driving efficiencies across the group has played a pivotal role in supporting profitability with the ratio of total operating expenses to total operating income improving to 55.9% from 56.1%. Total headcount continues to be tightly managed and expense growth (excluding variable remuneration) is targeted below the respective inflation rates in each of our principal geographies.

### Diversified portfolio of businesses provides solid base

Our diversified portfolio of businesses has provided a solid base for profitability with stronger growth from the Capital Markets division.

#### Private Client Activities

Private Client Activities reported a decline in operating profit of 46.0% to £104.6 million (2008: £193.7 million).

Higher average advances and a diversified set of revenues continued to drive operating income in the Private Banking division with operating profit decreasing 51.6% to £80.5 million (2008: £166.4 million). Reduced activity levels and the weaker credit environment resulted in higher impairment losses on loans and advances in all geographies. The private client core lending book grew by 24.3% to £11.1 billion (2008: £8.9 billion) and the division increased its deposit book by 17.0% to £7.7 billion (2008: £6.6 billion). Funds under advice decreased 11.2% to £3.3 billion (2008: £3.7 billion). With the outlook still dependent on the environment, the Private Bank continues to focus on managing under performing loans and impairments to ensure they remain stable. Growth in the loan portfolio is expected to be flat and the division will maximise efforts to target retail deposits and increase the contribution from the private wealth management business.

Private Client Portfolio Management and Stockbroking reported a decrease in operating profit of 11.8% to £24.1 million (2008: £27.3 million). The South African business was negatively impacted by lower turnover and valuations and the absence of performance fees on alternative investments with funds under management decreasing 24.6% to R85.0 billion (2008: R112.7 billion). A diverse business mix and strong annuity income from discretionary funds under management should provide resilience if the environment remains challenging. The UK operations include our 47.3% share of the directors' estimate of the post-tax profit of Rensburg Sheppards plc.

## Operating Financial Review

### Capital Markets

Capital Markets advisory, structuring and trading activities performed well resulting in an increase in operating profit for the division of 22.3% to £141.4 million (2008: £115.6 million). Core loans and advances increased 26.5% to £4.8 billion from £3.8 billion at 31 March 2008. Kensington Group plc, which was acquired in the prior year, produced a stable performance and reported operating profit of £37.1 million (2008: £24.3 million). The Capital Markets division remains well positioned to grow market share and extend its franchise although impairments remain a challenge.

### Investment Banking

The tough operating environment had the most severe impact on our Investment Banking business with mixed performances across geographies resulting in an overall decrease of 61.1% in operating profit to £28.2 million (2008: £72.5 million). The agency divisions closed fewer deals in comparison to the prior year but reported higher trading revenues. The UK operations were impacted by a much weaker performance from certain of the investments held within the Private Equity and Direct Investments division, whilst the South African Private Equity operations recorded another steady performance. Our teams are stable and performance in the next period will depend on stability and activity levels in equity markets.

### Asset Management

Asset Management reported a resilient performance although operating profit was down 13.4% to £66.2 million (2008: £76.4 million) as a result of a tougher mutual fund environment and weak equity markets. The division continued to benefit from a shift in the mix of funds managed and good investment performance. Investec Asset Management had the best net flows in nine years as a result of its recognised long term performance and well established global distribution footprint. Assets under management increased by 0.3% to £28.8 billion (2008: £28.7 billion). The current investment capabilities and distribution reach of the division are well aligned with future demand and support the fundamentals of the business.

### Property Activities

Property Activities generated operating profit of £24.7 million (2008: £36.3 million). The results of the division, based mainly in South Africa, were supported by fees earned on projects completed in the current year and a satisfactory performance from the investment property portfolio. The outlook for this business is positive with prospects arising from the global financial turmoil in both the listed and physical property space.

### Group Services and Other Activities

Group Services and Other Activities contributed £31.7 million to operating profit (2008: £14.1 million) with Central Funding benefiting from increased cash holdings and higher average interest rates in South Africa.

## Committed to playing a constructive role in restoring stability to the system

The financial services industry has much to do to regain the public's trust and to ensure the return of confidence to banking and finance. As conditions change, we remain committed not only to playing a constructive role in restoring stability to the broader financial system but we are also mindful of our obligations to society and our stakeholders. As we return to a more conducive business operating environment, we believe that all stakeholders will benefit as we do the right thing for our clients and the communities we serve. The group's progress in this regard is outlined on pages 209 to 211 of this Annual Report.

## Rigorous client focus and depth of leadership

The past year was a difficult one for all stakeholders who have been deeply impacted by global events in varying capacities. Through it all, our people who are deeply committed to the business and know that clients are contending with difficult economic and financial pressures, maintained a rigorous client focus. Over the years, we have recruited and retained many talented people who thrive on the group's entrepreneurial environment in their endeavours to produce positive results for clients. More than 24% of our staff have stayed with the group over 8 years and 38% more than 4 years. This is a testament to the commitment of our culture and depth of our leadership and the perpetuation of our culture.



## Operating Financial Review

### Strategy continues to be niched and focused

Our business model remains intact and our strategy to be niched and focused has supported us through a very difficult period. Accordingly, we will continue to focus on moderate loan growth, maintaining credit quality, the strict management of risk and liquidity and ensuring operational efficiencies. Building business depth by deepening existing client relationships is still a key component of our strategy.

### Strong franchise will enable us to capitalise on opportunities

The outlook for the global economy is uncertain and financial market conditions are likely to remain fragile. However, our capital position and distinct franchise should enable us to move quickly onto the front foot once markets turn. Looking ahead, we will continue to seek out opportunities that are expected to arise in a much changed landscape.

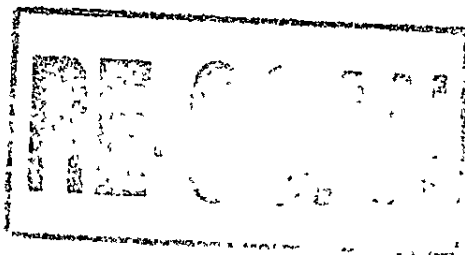
Hugh Herman  
Chairman

Stephen Koseff  
Chief Executive Officer

Bernard Kantor  
Managing Director

(\*Operating profit "as used in the text above refers to operating profit before non-operating items, goodwill and taxation and after minorities )

The Operating Financial Review provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read together with the sections that follow on pages 11 to 225, which elaborate on the aspects highlighted in this review.

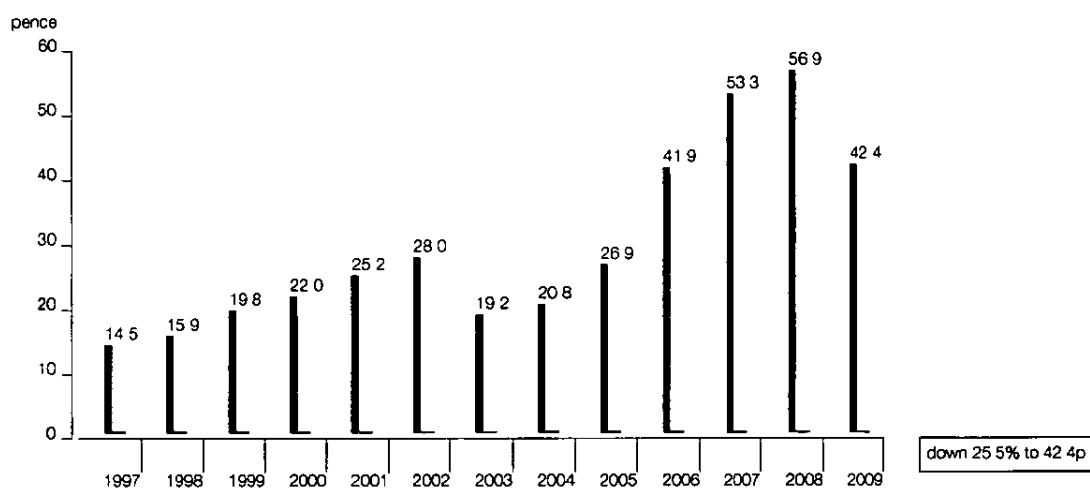


## Financial review

This commentary and analysis of our financial results for the year ended 31 March 2009 provides an overview of our financial performance relative to the group's results for the year ended 31 March 2008. Further detail on the performance of our business divisions is provided in the Divisional Review section of this report. The commentary and analysis are based on our consolidated financial results presented in accordance with IFRS and denominated in Pounds Sterling. The financial information discussed below is based on the period under review, and may not necessarily reflect the financial condition or results of the operations of the group going forward.

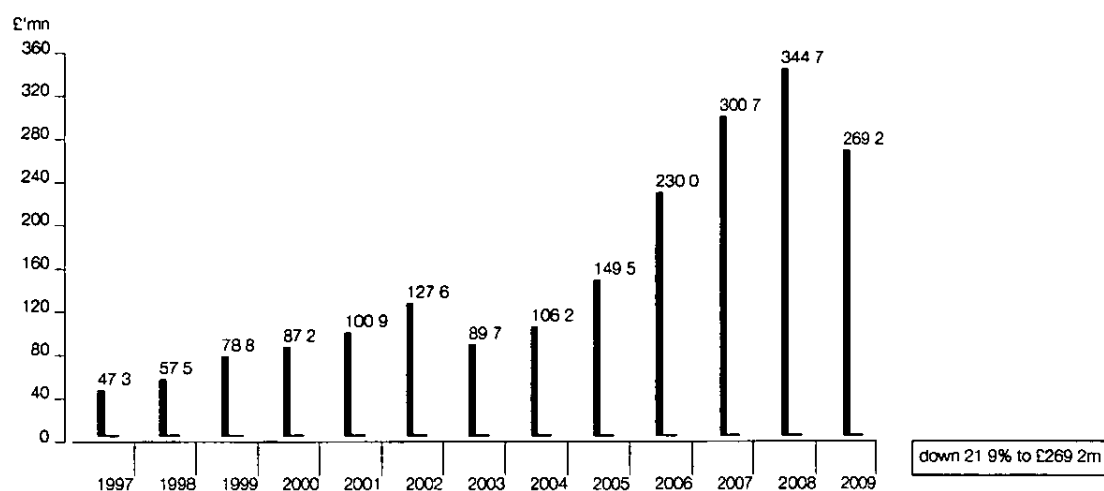
### Track record

#### Adjusted earnings per share before goodwill and non-operating items\*



Overview of the year

#### Adjusted attributable earnings before goodwill and non-operating items



#### Note

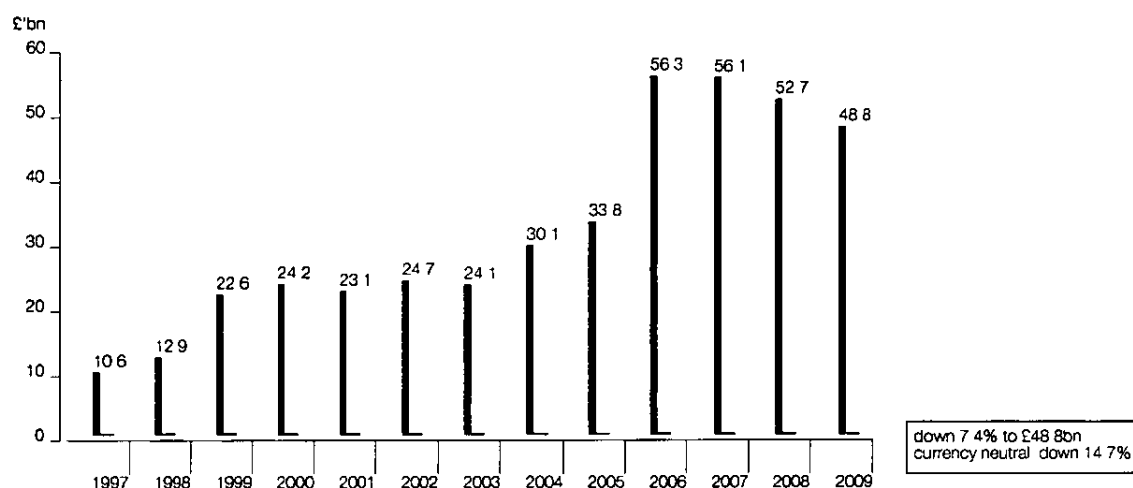
Results are shown for the year ended 31 March. Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS.

\* Historical EPS numbers have been adjusted for the 5:1 share split that took place on 4 September 2006.

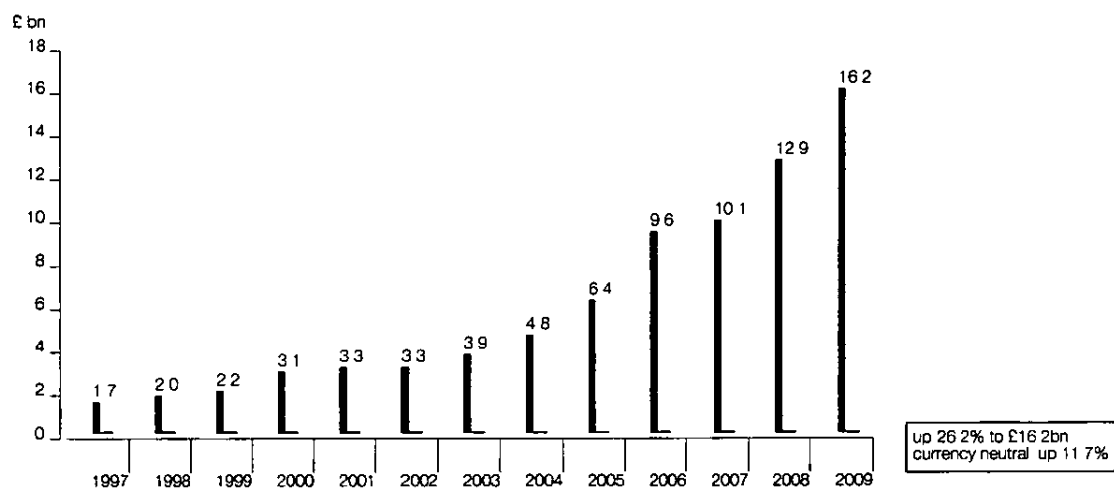
## Financial review

### Third party assets under management

Overview of the year



### Core loans and advances



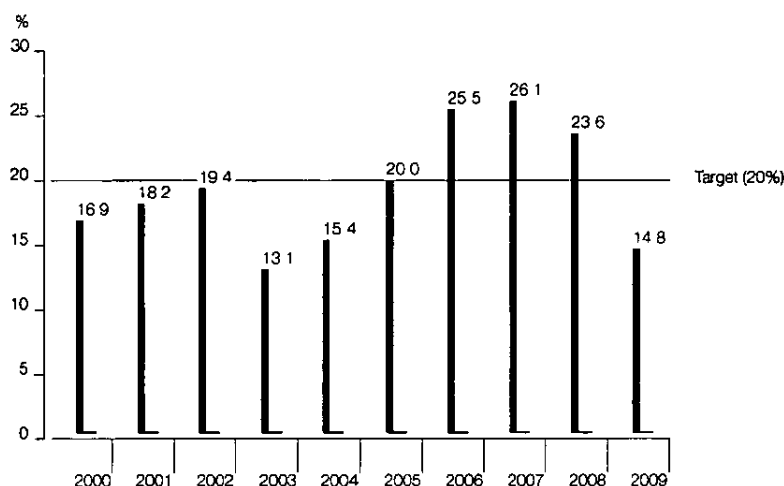
#### Note

Results are shown for the year ended 31 March. Prior to 2005 the numbers are reported in terms of UK GAAP and thereafter in terms of IFRS.

## Financial review

### Financial objectives

#### ROE\*

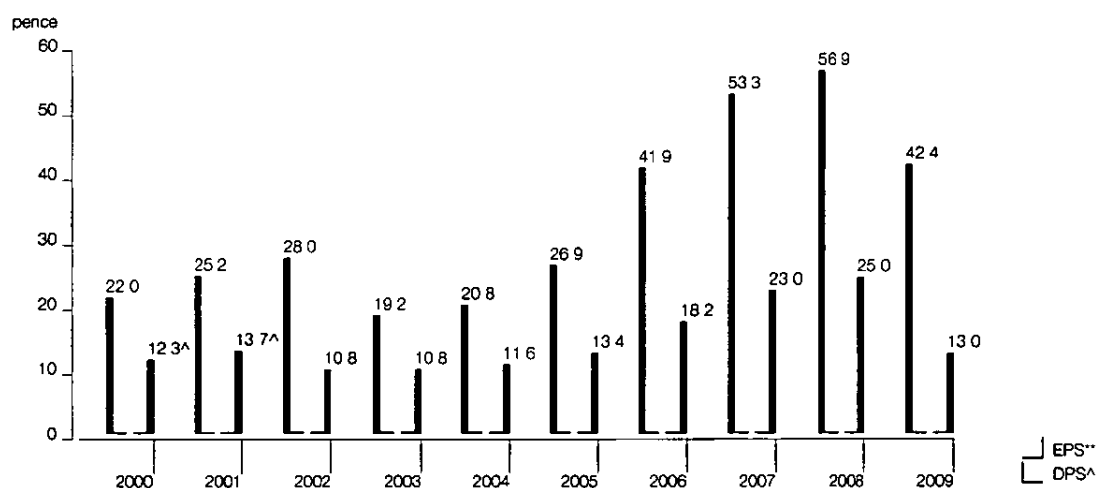


\* ROE is post-taxation return on adjusted average shareholder's equity (inclusive of compulsory convertible instruments) as calculated on page 26

We set out the following targets over the medium to long-term

- Group ROE Greater than 20% in Pounds Sterling

#### Adjusted earnings per share (EPS) and dividends per share (DPS)



\*\* Adjusted EPS before goodwill and non-operating items as defined on page 320

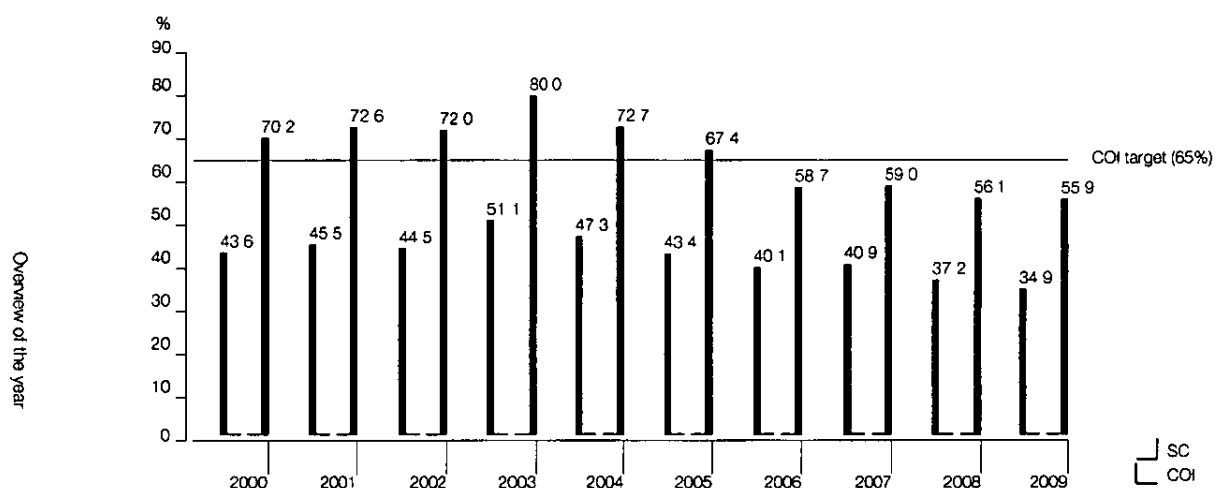
<sup>^</sup> The dividend for 2000 and 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling. The numbers have been adjusted for the 5:1 share split that took place on 4 September 2006

In the medium to long-term, we aim to achieve adjusted EPS growth of 10% in excess of UK inflation (in Pounds Sterling). We continually strive to build and maintain a sustainable business model. We intend to maintain a dividend cover of between 1.7 to 3.5 times based on earnings per share as defined above, denominated in Pounds Sterling.

Refer to note on page 14

## Financial review

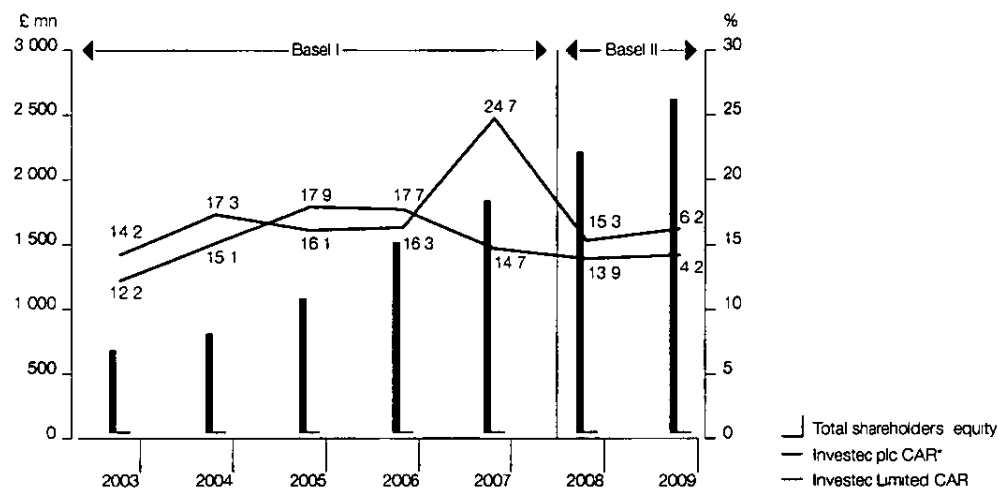
### Cost to income ratio (COI) and staff compensation to operating income ratio (SC)



We have set the following targets over the medium to long-term

- Group COI ratio less than 65% in Pounds Sterling

### Total shareholders' equity and capital adequacy ratios (CAR)



\* Capital adequacy figures prior to 2008 are disclosed under Basel I and thereafter under Basel II

We intend to maintain a sufficient level of capital to satisfy regulatory requirements as well as take advantage of opportunities that may arise in the financial services industry focusing on increasing our return on equity in the medium to long-term. We target a capital adequacy ratio of between 14% to 17% on a consolidated basis for Investec plc and Investec Limited and we target a minimum tier 1 ratio of in excess of 11%.

#### Note

The numbers shown in the financial objectives graphs on pages 13 and 14 are for the years ended 31 March. The numbers prior to 2005 are reported in terms of UK GAAP.

## Financial review

### An overview of our key income drivers

We provide a wide range of financial products and services to a niche client base in three principal markets, the UK, South Africa and Australia. We are organised as a network comprising five principal business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities.

In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding and other activities such as our Trade Finance operations.

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

| Business activity                                    | Key income drivers                                                                                                                                                                                                                                               | Income impacted primarily by                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Income statement - reflected as                                                                                                                                                                                                                                               |
|------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Private Client Activities</b>                     |                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                               |
| Private Banking                                      | <ul style="list-style-type: none"> <li>Interest earned in connection with the bank's lending activities</li> <li>Fees earned for advisory banking and lending services</li> <li>Income earned in respect of growth and acquisition finance activities</li> </ul> | <ul style="list-style-type: none"> <li>Size of loan portfolio</li> <li>Interest rate environment</li> <li>Levels of activity</li> <li>Quality of transactions and deal flow</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>Net interest income</li> <li>Net interest income and fees and commissions</li> <li>Fees and commissions and principal transactions</li> </ul>                                                                                          |
| Private Client Portfolio Management and Stockbroking | <ul style="list-style-type: none"> <li>Fees levied as a percentage of assets under management</li> <li>Commissions earned for executing transactions for clients</li> <li>Performance fees paid for achieving outperformance against benchmark</li> </ul>        | <ul style="list-style-type: none"> <li>Movement in the value of assets underlying client portfolios</li> <li>The level of clients' investment activity which, in turn, is affected by, among other things, the performance of the global stock markets, the equity investment risk appetite of our clients and market liquidity</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>Fees and commissions</li> </ul>                                                                                                                                                                                                        |
| <b>Capital Markets</b>                               |                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                               |
|                                                      | <ul style="list-style-type: none"> <li>Trading and hedging</li> <li>Product structuring and distribution</li> <li>Asset creation</li> <li>Advisory</li> </ul>                                                                                                    | <ul style="list-style-type: none"> <li>Client activity</li> <li>Market opportunities</li> <li>Market risk factors primarily volatility and liquidity</li> <li>The level of clients' investment activity, which in turn is affected by among other things, the performance of the global markets and the investment risk appetite of our clients</li> <li>Distribution channels</li> <li>Ability to create innovative products</li> <li>Rate environment</li> <li>Size of loan portfolio</li> <li>Credit spreads</li> <li>Clients capital and infrastructural investments</li> <li>The demand for our specialised advisory services, which, in turn is affected by applicable taxation, regulatory and other economic factors e.g. project activity in the relevant markets</li> </ul> | <ul style="list-style-type: none"> <li>Principal transactions</li> <li>Fees and commissions and principal transactions</li> <li>Fees and commissions</li> <li>Net interest income</li> <li>Principal transactions (in certain cases)</li> <li>Fees and commissions</li> </ul> |



## Financial review

### An overview of our key income drivers

| Business activity                                                                                      | Key income drivers                                                                                                                                                                                                                                                                                                               | Income impacted primarily by                                                                                                                                                                                                                                                                         | Income statement - reflected as                                                                                                                     |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Investment Banking</b>                                                                              |                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                      |                                                                                                                                                     |
| Corporate Finance                                                                                      | <ul style="list-style-type: none"> <li>Fees resulting from the provision of capital raising and financial advisory work</li> </ul>                                                                                                                                                                                               | <ul style="list-style-type: none"> <li>Macro- and micro- economic fundamentals</li> <li>Industry-specific trends</li> <li>Underlying stock market activity particularly in our primary markets</li> <li>Idea generation</li> </ul>                                                                   | <ul style="list-style-type: none"> <li>Fees and commissions</li> </ul>                                                                              |
| Institutional Research, Sales and Trading                                                              | <ul style="list-style-type: none"> <li>Brokerage commissions</li> <li>Trading and market making activities</li> </ul>                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>Stock market trading volume and volatility</li> <li>Client allocation of broking transactions</li> <li>Our ability to source securities and execute trades on behalf of our clients</li> </ul>                                                                | <ul style="list-style-type: none"> <li>Fees and commissions and principal transactions</li> </ul>                                                   |
| Private Equity and Direct Investments                                                                  | <ul style="list-style-type: none"> <li>Sale of investments and revaluation of trading investments</li> <li>Dividends</li> </ul>                                                                                                                                                                                                  | <ul style="list-style-type: none"> <li>Macro- and micro- economic market conditions</li> <li>Availability of profitable exit routes</li> <li>Whether appropriate market conditions exist to maximise gains on sale</li> <li>Attractive investment opportunities</li> </ul>                           | <ul style="list-style-type: none"> <li>Principal transactions</li> </ul>                                                                            |
| <b>Asset Management</b>                                                                                |                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                      |                                                                                                                                                     |
|                                                                                                        | <ul style="list-style-type: none"> <li>Fixed fees as a percentage of assets under management</li> <li>Variable performance fees</li> </ul>                                                                                                                                                                                       | <ul style="list-style-type: none"> <li>Movements in the value of the assets underlying client portfolios</li> <li>Performance of portfolios against set benchmarks</li> <li>Net sales</li> </ul>                                                                                                     | <ul style="list-style-type: none"> <li>Fees and commissions</li> </ul>                                                                              |
| <b>Property Activities</b>                                                                             |                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                      |                                                                                                                                                     |
|                                                                                                        | <ul style="list-style-type: none"> <li>Fees levied as a percentage of assets under management</li> <li>Trading and development activities</li> </ul>                                                                                                                                                                             | <ul style="list-style-type: none"> <li>Movements in the value of assets underlying client portfolios</li> <li>Macro- and micro- economic market conditions</li> <li>Availability of profitable exit routes</li> <li>Whether appropriate market conditions exist to maximise gains on sale</li> </ul> | <ul style="list-style-type: none"> <li>Fees and commissions</li> <li>Principal transactions</li> </ul>                                              |
| <b>Group Services and Other Activities</b>                                                             |                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                      |                                                                                                                                                     |
| <ul style="list-style-type: none"> <li>International Trade Finance</li> <li>Central Funding</li> </ul> | <ul style="list-style-type: none"> <li>These businesses earn a variety of management and banking fees, brokerage commissions</li> <li>As this division is responsible for the group's central funding requirements, this income is offset by the cost of group funding (net of return on the group's central capital)</li> </ul> | <ul style="list-style-type: none"> <li>A variety of factors including</li> <li>Interest rate environment</li> <li>Rand/Dollar exchange rate in the case of the International Trade Finance operations</li> <li>Level of client activity</li> </ul>                                                   | <ul style="list-style-type: none"> <li>All categories of income other than net operating income from associates and assurance activities</li> </ul> |

## Financial review

### Risks relating to our operations

We face a number of risks that could affect our business operations, details of which are provided on pages 85 to 164

Due to the nature of our businesses, we have been and will continue to be affected by changes in a number of macro-economic fundamentals. These include the condition of worldwide financial markets, general economic cycles, levels of exchange and interest rates, and inflation, in particular in the UK, South Africa and Australia where the group derives most of its profit as well as to a lesser extent, the US and Europe

### Fluctuations in exchange rates

Our reporting currency is Pounds Sterling. Certain of our operations are conducted by entities outside the UK. The results of operations and the financial condition of our individual companies are reported in the local currencies of the countries in which they are domiciled including Rands, Australian Dollars, Euros and US Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial results. In the case of the income statement, the weighted average rate for the relevant period is applied and, in the case of the balance sheet, the relevant closing rate is used.

The following table sets out the movements in certain relevant exchange rates against Pounds Sterling over the period

| Currency per £1.00 | 31 March 2009 |         | 31 March 2008 |         |
|--------------------|---------------|---------|---------------|---------|
|                    | Period end    | Average | Period end    | Average |
| South African Rand | 13.58         | 14.83   | 16.17         | 14.31   |
| Australian Dollar  | 2.07          | 2.19    | 2.18          | 2.32    |
| Euro               | 1.08          | 1.21    | 1.25          | 1.42    |
| US Dollar          | 1.43          | 1.73    | 1.99          | 2.01    |

Exchange rates between local currencies and Pounds Sterling have fluctuated over the period. The most significant impact arises from the volatility of the Rand. The average Rand/Pounds Sterling exchange rate over the year has depreciated by 3.6% and the closing rate has appreciated by 16.0% since 31 March 2008.

The following table provides an analysis of the impact of the Rand depreciation/appreciation on our reported numbers

|                                                                              | Results as reported at 31 March 2009 | Currency neutral results at 31 March 2009** |
|------------------------------------------------------------------------------|--------------------------------------|---------------------------------------------|
| Southern African operating profit (£'000)*                                   | 303,769                              | 309,611                                     |
| Southern African profit after taxation and minorities (£'000)*               | 212,588                              | 217,178                                     |
| Total group operating profit before taxation (£'000)*                        | 400,088                              | 405,930                                     |
| Total group adjusted earnings attributable to ordinary shareholders (£'000)* | 269,195                              | 272,772                                     |
| Adjusted EPS (pence)                                                         | 42.4                                 | 43.0                                        |
| Total assets (£'million)                                                     | 37,105                               | 34,256                                      |
| Total shareholders' equity (£'million)                                       | 2,621                                | 2,488                                       |

\* Before goodwill and non-operating items

\*\* For balance sheet items we have assumed that the Rand/Pounds Sterling closing exchange rate has remained neutral since 31 March 2008. For income statement items we have used the average Rand/Pounds Sterling exchange rate that was applied in the prior period, i.e. 14.31

### Fluctuations in interest rates

The shape of the yield curve, the time lag between changes in interest rates applicable to assets and liabilities, and the volatility of interest rates in each of our principal geographic markets can affect our net interest income, principal transactions generated by the Interest Rate and Forex desks and fees in our Capital Markets division. As a matter of policy, we do not take on material unhedged, long-dated interest rate positions. The table on page 88 sets out movements in certain interest rates, affecting our businesses over the reporting period.



## Financial review

### Salient features of our results during the year under review

A number of significant corporate actions were undertaken during the prior year which have a bearing on our relative performance and these are highlighted below

- The sale of the South African property fund management and property administration business to Growthpoint Properties Limited ("Growthpoint"), as approved by the Competition Tribunal of South Africa on 18 October 2007. A non-operating exceptional gain of £72.9 million (pre-taxation) was made on the sale of this business. The purchase consideration was satisfied by the issue of new Growthpoint linked units. Furthermore, as announced on 6 November 2007, Investec disposed of 152,473,544 Growthpoint linked units representing its entire shareholding in Growthpoint, inter alia, monetising the proceeds on the disposal of the property fund management and property administration business.
- Investec Bank (Australia) Limited acquired Experien (Pty) Ltd ("Experien") as of 1 October 2007.
- Investec plc acquired Kensington Group plc ("Kensington") with effect from 8 August 2007. The business was acquired for £216.3 million, via the issue of 36.8 million Investec plc shares, with a net asset value at date of acquisition of £100.2 million (after a special dividend of £13.7 million). Kensington now forms part of the Capital Markets business in the UK.

### Income statement analysis

The overview that follows will highlight the main reasons for the variance in the major category line items on the face of the income statement during the period under review. Further details on the key income drivers and significant variances in the various components of our operating income, expenses and profit can be found in the description of our principal businesses on pages 37 to 81.

### Total operating income

Total operating income net of insurance claims of £1,490 million is in line with the prior year. The various components of total operating income are analysed below.

| £'000                                          | 31 March 2009 | % of total income | 31 March 2008 | % of total income | % change  |
|------------------------------------------------|---------------|-------------------|---------------|-------------------|-----------|
| Net interest income                            | 694,031       | 46.6%             | 583,420       | 39.3%             | 19.0%     |
| Other income                                   | 795,490       | 53.4%             | 900,266       | 60.7%             | (11.6%)   |
| Net fee and commission income                  | 531,522       | 35.7%             | 551,296       | 37.2%             | (3.6%)    |
| Principal transactions                         | 276,521       | 18.6%             | 276,705       | 18.6%             | (0.1%)    |
| Operating income from associates               | 12,438        | 0.8%              | 12,138        | 0.8%              | 2.5%      |
| Net income on Assurance Activities             | 5,249         | 0.4%              | 10,084        | 0.7%              | 47.9%     |
| Other operating (loss)/income                  | (30,240)      | (2.1%)            | 50,043        | 3.4%              | (>100.0%) |
| Total operating income net of insurance claims | 1,489,521     | 100.0%            | 1,483,686     | 100.0%            | 0.4%      |

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

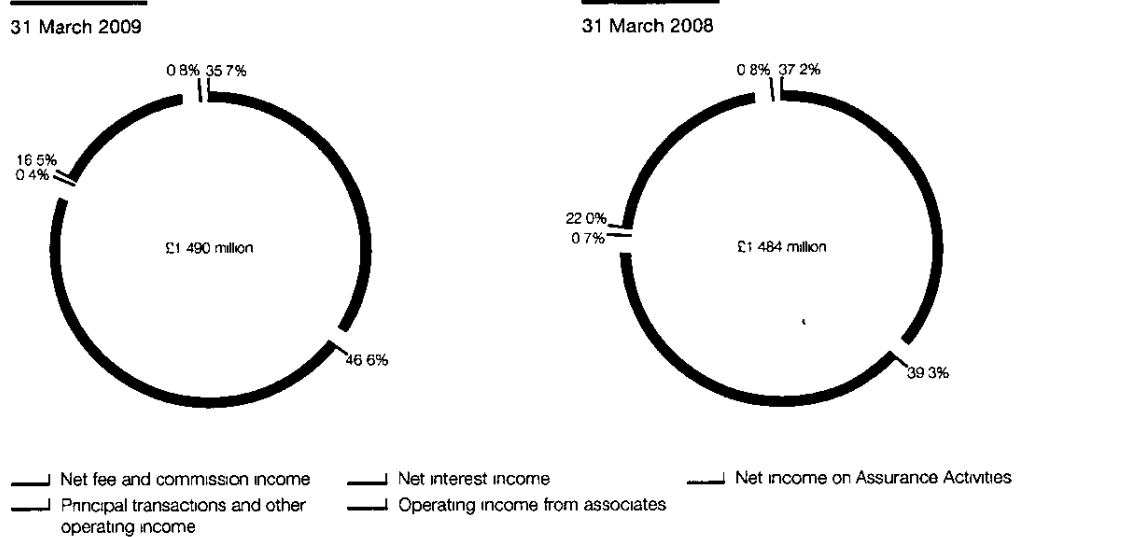
| £'000                                          | 31 March 2009 | % of total income | 31 March 2008 | % of total income | % change |
|------------------------------------------------|---------------|-------------------|---------------|-------------------|----------|
| UK and Europe                                  | 732,808       | 49.2%             | 686,830       | 46.3%             | 6.7%     |
| Southern Africa                                | 683,890       | 45.9%             | 700,523       | 47.2%             | (2.4%)   |
| Australia                                      | 72,823        | 4.9%              | 96,333        | 6.5%              | (24.4%)  |
| Total operating income net of insurance claims | 1,489,521     | 100.0%            | 1,483,686     | 100.0%            | 0.4%     |

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

| £'000                                                | 31 March 2009 | % of total income | 31 March 2008 | % of total income | % change |
|------------------------------------------------------|---------------|-------------------|---------------|-------------------|----------|
| Private Banking                                      | 380,864       | 25.6%             | 418,466       | 28.2%             | (9.0%)   |
| Private Client Portfolio Management and Stockbroking | 46,237        | 3.0%              | 49,774        | 3.4%              | (7.1%)   |
| Capital Markets                                      | 542,639       | 36.4%             | 411,737       | 27.8%             | 31.8%    |
| Investment Banking                                   | 138,286       | 9.3%              | 204,739       | 13.8%             | (32.5%)  |
| Asset Management                                     | 200,514       | 13.5%             | 218,700       | 14.7%             | (8.3%)   |
| Property Activities                                  | 38,091        | 2.6%              | 55,526        | 3.7%              | (31.4%)  |
| Group Services and Other Activities                  | 142,890       | 9.6%              | 124,744       | 8.4%              | 14.5%    |
| Total operating income net of insurance claims       | 1,489,521     | 100.0%            | 1,483,686     | 100.0%            | 0.4%     |

## Financial review

### % of total operating income net of insurance claims



### Net interest income

Net interest income increased by 19.0% to £694 million (2008: £583.4 million) as a result of growth in average advances, the acquisitions of Kensington and Expenen, and a solid performance from the Central Funding division

| £'000                                                | 31 March 2009  | 31 March 2008  | Variance       | % change     |
|------------------------------------------------------|----------------|----------------|----------------|--------------|
| Private Banking                                      | 274 236        | 272 666        | 1 570          | 0.6%         |
| Private Client Portfolio Management and Stockbroking | 2 051          | 76             | 1 975          | >100.0%      |
| Capital Markets                                      | 286 712        | 227 174        | 59 538         | 26.2%        |
| Investment Banking                                   | 2 612          | (8 463)        | 11 075         | >100.0%      |
| Asset Management                                     | 7 821          | 7 558          | 263            | 3.5%         |
| Property Activities                                  | (6 886)        | (10 513)       | 3 627          | (34.5%)      |
| Group Services and Other Activities                  | 127 485        | 94 922         | 32 563         | 34.3%        |
| <b>Net interest income</b>                           | <b>694 031</b> | <b>583 420</b> | <b>110 611</b> | <b>19.0%</b> |

### Net fee and commission income

Net fee and commission income decreased by 3.6% to £531.5 million (2008: £551.3 million). Transactional activity and asset levels have been significantly impacted by the economic environment. However, the group benefited from a solid performance from the Capital Markets advisory and structuring businesses

| £'000                                                | 31 March 2009  | 31 March 2008  | Variance        | % change      |
|------------------------------------------------------|----------------|----------------|-----------------|---------------|
| Private Banking                                      | 97 959         | 111 109        | (13 150)        | (11.8%)       |
| Private Client Portfolio Management and Stockbroking | 32 100         | 36 564         | (4 464)         | (12.2%)       |
| Capital Markets                                      | 115 465        | 86 831         | 28 634          | 33.0%         |
| Investment Banking                                   | 69 041         | 88 603         | (19 562)        | (22.1%)       |
| Asset Management                                     | 197 732        | 207 483        | (9 751)         | (4.7%)        |
| Property Activities                                  | 22 724         | 20 764         | 1 960           | 9.4%          |
| Group Services and Other Activities                  | (3 499)        | (58)           | (3 441)         | (>100.0%)     |
| <b>Net fee and commission income</b>                 | <b>531 522</b> | <b>551 296</b> | <b>(19 774)</b> | <b>(3.6%)</b> |

## Financial review

### Principal transactions

Income from principal transactions remained in line with the prior year at £276.5 million (2008: £276.7 million) reflecting a strong contribution from our Capital Markets trading businesses and an improved performance from our Principal Finance businesses. This was offset by a reduced profit from revaluations and realisations in the current year.

| £'000                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|------------------------------------------------------|------------------|------------------|----------|-------------|
| Private Banking                                      | 7,823            | 34,667           | (26,844) | (77.4%)     |
| Private Client Portfolio Management and Stockbroking | 42               | 1,205            | (1,163)  | (96.5%)     |
| Capital Markets                                      | 140,462          | 97,998           | 42,464   | 43.3%       |
| Investment Banking                                   | 91,159           | 79,583           | 11,576   | 14.5%       |
| Asset Management                                     | (30)             | 56               | (86)     | (>100.0%)   |
| Property Activities                                  | 22,539           | 45,275           | (22,736) | (50.2%)     |
| Group Services and Other Activities                  | 14,526           | 17,921           | (3,395)  | (18.9%)     |
| Principal transactions                               | 276,521          | 276,705          | (184)    | (0.1%)      |

### Operating income from associates

Operating income from associates increased by 2.5% to £12.4 million (2008: £12.1 million). The figure includes Investec's 47.3% share of the directors' estimate of the post-taxation profit of Rensburg Sheppards plc for the year ended 31 March 2009.

### Other operating loss

The consolidation of the operating results of certain investments held within the group's Private Equity portfolio resulted in an operating loss of £30.2 million (2008: income of £50 million).

### Impairment losses on loans and advances

As a result of the weaker credit cycle we have seen a decline in the performance of the loan portfolio resulting in an increase in impairment losses on loans and advances from £58.8 million to £162.9 million (excluding Kensington). The credit loss charge as a percentage of average gross core loans and advances has increased from 0.5% to 1.1% since 31 March 2008. The percentage of default loans (net of impairments but before taking collateral into account) to core loans and advances has increased from 1.3% to 3.3% since 31 March 2008. The ratio of collateral to default loans (net of impairments) remains satisfactory at 1.20 times (2008: 1.21 times). Further information on our asset quality is provided on page 106.

Impairment losses on loans and advances relating to the Kensington business amount to £93.2 million (2008: £55.4 million). The total Kensington book has been managed down to £5.2 billion from £6.1 billion at 31 March 2008. Arrears have increased as the book seasons in a weak environment. Further information is provided on pages 52 and 53.

| £'000                                   | 31 March<br>2009 | 31 March<br>2008 | Variance  | %<br>change |
|-----------------------------------------|------------------|------------------|-----------|-------------|
| Private Banking                         | (90,094)         | (33,326)         | (56,768)  | >100.0%     |
| Capital Markets                         | (155,841)        | (79,336)         | (76,505)  | 96.4%       |
| Investment Banking                      | (3,858)          | (1,356)          | (2,502)   | >100.0%     |
| Group Services and Other Activities     | (6,380)          | (167)            | (6,213)   | >100.0%     |
| Impairment losses on loans and advances | (256,173)        | (114,185)        | (141,988) | >100.0%     |

### Total expenses

The ratio of total operating expenses to total operating income improved to 55.9% from 56.1%.

Total expenses increased by 0.2% to £833.3 million (2008: £831.8 million). Variable remuneration decreased by 29.9% to £144.8 million. Other operating expenses increased by 10.2% to £688.5 million largely as a result of the acquisitions of Kensington and Experien and an increase in average headcount and associated costs in certain of the businesses. Total headcount is being tightly managed and expense growth (excluding variable remuneration) is targeted below the respective inflation rates in each of the group's core geographies. The group has also introduced a non-cash deferred component to variable remuneration payments.



## Financial review

| £'000                                           | 31 March 2009 | % of total expenses | 31 March 2008 | % of total expenses | % change |
|-------------------------------------------------|---------------|---------------------|---------------|---------------------|----------|
| Staff costs (including directors' remuneration) | 520 159       | 62.4%               | 552 211       | 66.4%               | (5.8%)   |
| - fixed                                         | 375 343       | 45.0%               | 345 518       | 41.6%               | 8.6%     |
| - variable                                      | 144 816       | 17.4%               | 206 693       | 24.8%               | (29.9%)  |
| Business expenses                               | 153 890       | 18.5%               | 141 593       | 17.0%               | 8.7%     |
| Equipment (excluding depreciation)              | 47 205        | 5.7%                | 37 087        | 4.5%                | 27.3%    |
| Premises (excluding depreciation)               | 47 632        | 5.7%                | 45 737        | 5.5%                | 4.1%     |
| Marketing expenses                              | 34 272        | 4.1%                | 30 872        | 3.7%                | 11.0%    |
| Depreciation                                    | 30 102        | 3.6%                | 24 330        | 2.9%                | 23.7%    |
| Total expenses                                  | 833 260       | 100.0%              | 831 830       | 100.0%              | 0.2%     |

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

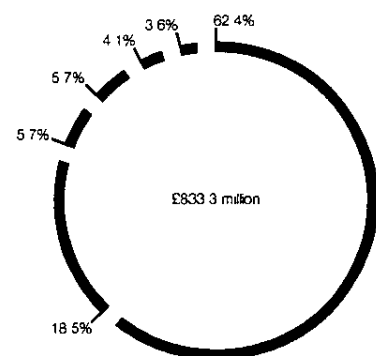
| £'000           | 31 March 2009 | % of total expenses | 31 March 2008 | % of total expenses | % change |
|-----------------|---------------|---------------------|---------------|---------------------|----------|
| UK and Europe   | 454 456       | 54.5%               | 445 213       | 53.5%               | 2.1%     |
| Southern Africa | 328 669       | 39.4%               | 329 709       | 39.7%               | (0.3%)   |
| Australia       | 50 135        | 6.1%                | 56 908        | 6.8%                | (11.9%)  |
| Total expenses  | 833 260       | 100.0%              | 831 830       | 100.0%              | 0.2%     |

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

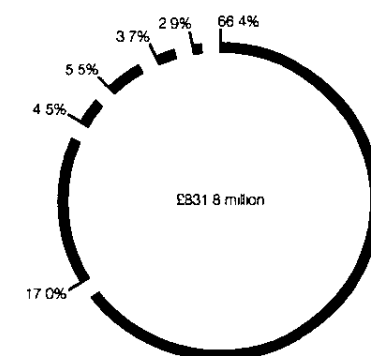
| £'000                                                | 31 March 2009 | % of total expenses | 31 March 2008 | % of total expenses | % change |
|------------------------------------------------------|---------------|---------------------|---------------|---------------------|----------|
| Private Banking                                      | 210 307       | 25.2%               | 218 746       | 26.3%               | (3.9%)   |
| Private Client Portfolio Management and Stockbroking | 22 135        | 2.7%                | 22 432        | 2.7%                | (1.3%)   |
| Capital Markets                                      | 246 195       | 29.5%               | 216 651       | 26.0%               | 13.6%    |
| Investment Banking                                   | 128 493       | 15.4%               | 126 053       | 15.2%               | 1.9%     |
| Asset Management                                     | 134 047       | 16.1%               | 141 879       | 17.1%               | (5.5%)   |
| Property Activities                                  | 13 410        | 1.6%                | 19 205        | 2.3%                | (30.2%)  |
| Group Services and Other Activities                  | 78 673        | 9.5%                | 86 864        | 10.4%               | (9.4%)   |
| Total expenses                                       | 833 260       | 100.0%              | 831 830       | 100.0%              | 0.2%     |

### % of total expenses

31 March 2009



31 March 2008



— Staff costs  
— Premises

— Business expenses  
— Marketing

— Equipment  
— Depreciation

## Financial review

### Operating profit before goodwill, non-operating items, taxation and after minorities

As a result of the foregoing factors, our operating profit before goodwill, non-operating items, taxation and after minorities decreased by 22.0% from £508.7 million to £396.8 million

The following tables set out information on operating profit before goodwill, non-operating items, taxation and after minorities by geography and by division for the year under review

#### For the year to 31 March 2009

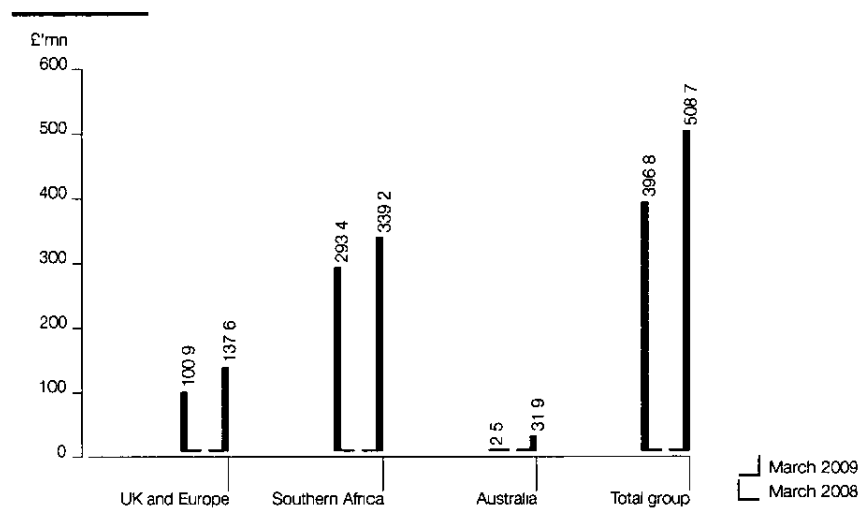
| £'000                                                | UK and Europe  | Southern Africa | Australia    | Total group    | % change       | % of total    |
|------------------------------------------------------|----------------|-----------------|--------------|----------------|----------------|---------------|
| Private Banking                                      | 42,034         | 35,954          | 2,475        | 80,463         | (51.6%)        | 20.3%         |
| Private Client Portfolio Management and Stockbroking | 12,044         | 12,058          | -            | 24,102         | (11.8%)        | 6.1%          |
| Capital Markets                                      | 78,015         | 61,150          | 2,209        | 141,374        | 22.3%          | 35.6%         |
| Investment Banking                                   | (30,810)       | 66,065          | (7,089)      | 28,166         | (61.2%)        | 7.1%          |
| Asset Management                                     | 17,149         | 49,037          | -            | 66,186         | (13.4%)        | 16.7%         |
| Property Activities                                  | 774            | 21,769          | 2,138        | 24,681         | (32.0%)        | 6.2%          |
| Group Services and Other Activities                  | (18,316)       | 47,395          | 2,715        | 31,794         | >100.0%        | 8.0%          |
| <b>Total group</b>                                   | <b>100,890</b> | <b>293,428</b>  | <b>2,448</b> | <b>396,766</b> | <b>(22.0%)</b> | <b>100.0%</b> |
| Minority interest - equity                           |                |                 |              | 3,322          |                |               |
| Operating profit before goodwill                     |                |                 |              | 400,088        |                |               |
| % change                                             | (26.7%)        | (13.5%)         | (92.3%)      | (22.0%)        |                |               |
| % of total                                           | 25.4%          | 74.0%           | 0.6%         | 100.0%         |                |               |

#### For the year to 31 March 2008

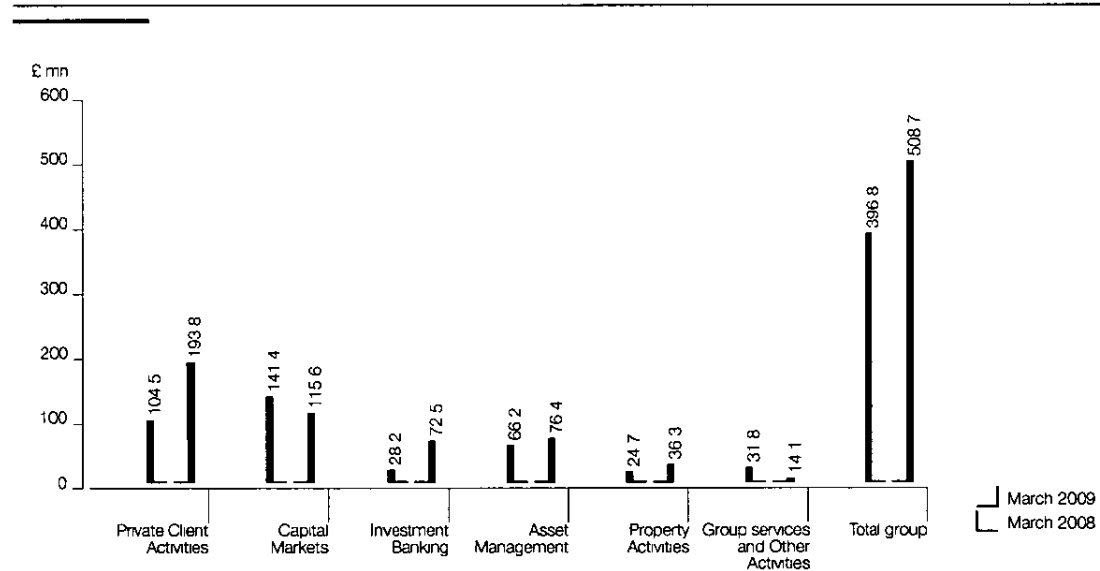
| £'000                                                | UK and Europe  | Southern Africa | Australia     | Total group    | % of total    |
|------------------------------------------------------|----------------|-----------------|---------------|----------------|---------------|
| Private Banking                                      | 91,619         | 56,760          | 18,015        | 166,394        | 32.7%         |
| Private Client Portfolio Management and Stockbroking | 11,929         | 15,413          | -             | 27,342         | 5.4%          |
| Capital Markets                                      | 39,187         | 68,118          | 8,326         | 115,631        | 22.7%         |
| Investment Banking                                   | 3,995          | 64,775          | 3,756         | 72,526         | 14.3%         |
| Asset Management                                     | 24,940         | 51,471          | -             | 76,411         | 15.0%         |
| Property Activities                                  | 144            | 36,078          | 99            | 36,321         | 7.1%          |
| Group Services and Other Activities                  | (34,205)       | 46,612          | 1,685         | 14,092         | 2.8%          |
| <b>Total group</b>                                   | <b>137,609</b> | <b>339,227</b>  | <b>31,881</b> | <b>508,717</b> | <b>100.0%</b> |
| Minority interest - equity                           |                |                 |               | 28,954         |               |
| Operating profit before goodwill                     |                |                 |               | 537,671        |               |
| % of total                                           | 27.0%          | 66.7%           | 6.3%          | 100.0%         |               |

## Financial review

Operating profit before goodwill, non-operating items, taxation and after minorities  
by geography



Operating profit before goodwill, non-operating items, taxation and after minorities  
by division



## Financial review

### Goodwill

The current year goodwill impairment largely relates to certain of the consolidated investments held within the group's Private Equity portfolio

#### Goodwill and intangible assets analysis - balance sheet information

| £'000                                                | 31 March 2009 | 31 March 2008 |
|------------------------------------------------------|---------------|---------------|
| UK and Europe                                        | 216 812       | 232 145       |
| Private Banking                                      | 18 622        | 18 031        |
| Capital Markets                                      | 74 890        | 80 248        |
| Investment Banking                                   | 35 255        | 45 822        |
| Asset Management                                     | 88 045        | 88 044        |
| South Africa                                         | 22 601        | 20 790        |
| Private Client Portfolio Management and Stockbroking | 2 661         | 2 240         |
| Asset Management                                     | 19 616        | 18 278        |
| Property Activities                                  | 324           | 272           |
| Australia                                            | 35 585        | 36 608        |
| Private Banking                                      | 19 483        | 18 536        |
| Investment Banking                                   | 16 102        | 18 072        |
| Software                                             | 15 376        | 13 895        |
| Total group                                          | 290 374       | 303 438       |

### Taxation

The effective operational taxation rate of the group decreased from 22.6% to 21.1% as a result of the decrease in taxation rates in key geographies and an increase in income earned that is subject to lower taxation rates or is non-taxable

|                 | Effective operational taxation rates 31 March 2009 | Effective operational taxation rates 31 March 2008 | 31 March 2009 £'000 | 31 March 2008 £'000 | Variance £'000 | % change  |
|-----------------|----------------------------------------------------|----------------------------------------------------|---------------------|---------------------|----------------|-----------|
| UK and Europe   | 15.8%                                              | 20.3%                                              | (13 203)            | (30 964)            | 17 761         | (57.4%)   |
| Southern Africa | 24.0%                                              | 24.1%                                              | (72 802)            | (90 289)            | 17 487         | (19.4%)   |
| Australia       | n/a                                                | 18.1%                                              | 4 330               | (5 996)             | 10 326         | (>100.0%) |
| Taxation        | 21.1%                                              | 22.6%                                              | (81 675)            | (127 249)           | 45 574         | (35.8%)   |

### Losses attributable to minority interests

Losses attributable to minority interests of £5.4 million largely comprise

- £30.9 million relating to investments consolidated in the Private Equity division, offset by
- £25.8 million relating to Euro denominated preferred securities issued by a subsidiary of Investec plc which are reflected on the balance sheet as part of minority interests. (The transaction is hedged and a forex transaction profit arising on the hedge is reflected in operating profit before goodwill with the equal and opposite impact reflected in earnings attributable to minorities)

### Earnings attributable to shareholders

As a result of the foregoing factors, earnings attributable to shareholders decreased from £391.6 million to £292.0 million

### Dividends and earnings per share

Information with respect to dividends and earnings per share is provided on pages 230, 267 and 268

## Financial review

### Balance sheet analysis

Since 31 March 2008

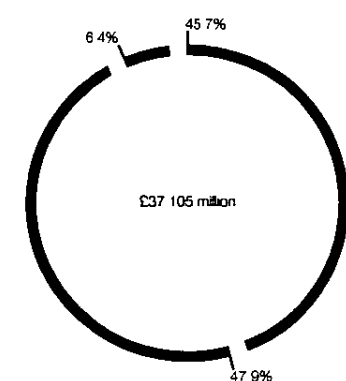
- Total shareholders' equity (including minority interests) increased by 18.6% to £2.6 billion largely as a result of retained earnings and foreign currency translation gains
- Net asset value per share increased from 260.6 pence to 308.8 pence and net tangible asset value per share (which excludes goodwill and intangible assets) increased from 215.0 pence to 266.3 pence
- Total assets increased from £34.1 billion to £37.1 billion largely as a result of foreign currency adjustments

The return on adjusted average shareholders' equity decreased from 23.6% to 14.8%

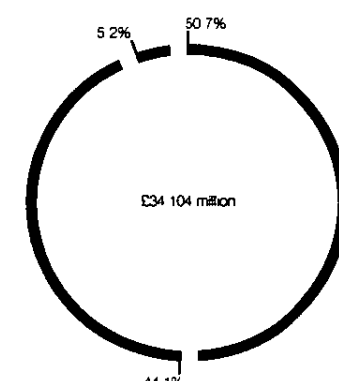
The compulsorily convertible debentures that were outstanding at 31 March 2008 were converted to shares on 31 July 2008. This resulted in an increase in share capital and share premium with no impact on total equity.

### Assets by geography

31 March 2009



31 March 2008



UK and Europe

Southern Africa

Australia

### Net tangible asset value per share

In calculating net tangible asset value per share we assume that all previously issued Compulsory Convertible Debentures (CCD's) are treated as equity. Under IFRS, however, a portion of these CCD's are treated as debt and not included in shareholders' equity. As a result, adjustments must be made to the shareholder base which would be more appropriately reflect their permanent capital nature.

| £'000                                                         | 31 March 2009    | 31 March 2008    | Notes                                          |
|---------------------------------------------------------------|------------------|------------------|------------------------------------------------|
| Shareholders' equity                                          | 2,296,951        | 1,911,204        |                                                |
| Less: perpetual preference shares issued by holding companies | (299,609)        | (272,335)        |                                                |
| Convertible debt included in subordinated liabilities         | -                | 14,056           | These CCD's converted into equity in July 2008 |
| Less: goodwill and intangible assets (excluding software)     | (274,998)        | (289,543)        |                                                |
| <b>Net tangible asset value</b>                               | <b>1,722,344</b> | <b>1,363,382</b> |                                                |
| Number of shares in issue                                     | 713.3            | 657.6            |                                                |
| CCD's                                                         | -                | 7.6              | Relates to convertible debt mentioned above    |
| Treasury shares                                               | (66.5)           | (31.0)           |                                                |
| Number of shares in issue in this calculation (million)       | 646.8            | 634.2            |                                                |
| <b>Net tangible asset value per share (pence)</b>             | <b>266.3</b>     | <b>215.0</b>     |                                                |



## Financial review

### Capital adequacy

The group holds capital well in excess of regulatory requirements and intends to perpetuate this philosophy and ensure that it remains well capitalised in a vastly changed banking world. Accordingly, as announced in November 2008, the group has adjusted its capital adequacy targets and is focusing on increasing its capital base, targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio of 14% to 17% on a consolidated basis for Investec plc and Investec Limited, respectively. Investec has made good progress in this regard and intends meeting these targets by the end of calendar year 2010. Further information is provided on pages 160 and 161.

### ROE - assessment of economic capital utilised

In order to assess the return on economic capital utilised, the group believes that certain adjustments as detailed in the tables below should be made to the income statement analysis and balance sheet analysis as reflected under IFRS. The group believes that these adjustments are necessary as they reflect the actual utilisation of capital and return thereon, notwithstanding accounting conventions.

#### Return on capital by segment

The methodology applied in accessing the utilisation of the group's economic capital is as follows:

- A notional return on capital (net of the cost of subordinated debt) which is managed and borne in the centre is allocated from Group Services and Other Activities ("GSO") to the business segments based on their total capital utilisation
- Shareholders' equity is increased to reflect permanent capital which is reflected under subordinated debt (applicable prior to March 2009)

| £'000                                                      | 31 March<br>2009 | 31 March<br>2008 | Average   | 31 March<br>2007 | Average   |
|------------------------------------------------------------|------------------|------------------|-----------|------------------|-----------|
| Calculation of average shareholders' equity                |                  |                  |           |                  |           |
| Ordinary shareholders' equity                              | 1 997 342        | 1 638 869        | 1 818 106 | 1 250 312        | 1 444 590 |
| Add: Convertible debt included in subordinated liabilities | -                | 14 056           | 7 028     | 19 079           | 16 568    |
| Adjusted shareholders' equity                              | 1 997 342        | 1 652 925        | 1 825 134 | 1 269 391        | 1 461 158 |
| Goodwill and intangible assets (excluding software)        | (274 998)        | (289 543)        | (282 271) | (219 854)        | (254 699) |
| Adjusted tangible shareholders' equity                     | 1 722 344        | 1 363 382        | 1 542 863 | 1 049 537        | 1 206 459 |

| £'000                                                                                           | 31 March<br>2009 | 31 March<br>2008 |
|-------------------------------------------------------------------------------------------------|------------------|------------------|
| Operating profit before goodwill impairment and non-operating items                             | 400 088          | 537 671          |
| Operating profit before goodwill attributable to minorities                                     | (3 322)          | (28 954)         |
| Preference dividends                                                                            | (45 876)         | (45 283)         |
| Profit before taxation                                                                          | 350 890          | 463 434          |
| Taxation on ordinary activities                                                                 | (81 675)         | (118 739)        |
| Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items | 269 215          | 344 695          |
| Pre-taxation return on average adjusted shareholders' equity                                    | 19.2%            | 31.7%            |
| Post-taxation return on average adjusted shareholders' equity                                   | 14.8%            | 23.6%            |
| Pre-taxation return on average adjusted tangible shareholders' equity                           | 22.7%            | 38.4%            |
| Post-taxation return on average adjusted tangible shareholders' equity                          | 17.4%            | 28.6%            |

## Financial review

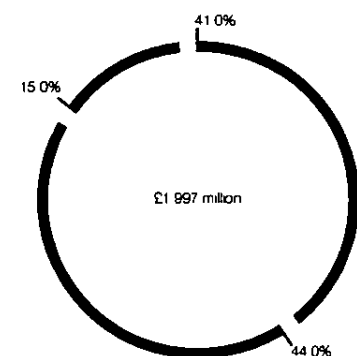
### ROE by geography

| For the year ended 31 March<br>£'000                        | UK and<br>Europe | Southern<br>Africa | Australia | Total<br>group |
|-------------------------------------------------------------|------------------|--------------------|-----------|----------------|
| Total operating profit                                      | 96 316           | 303 769            | 3         | 400 088        |
| Taxation on profit on ordinary activities                   | (13 203)         | (72 802)           | 4 330     | (81 675)       |
| Minority interests                                          | 4 574            | (10 341)           | 2 445     | (3 322)        |
| Preference dividends                                        | (18 698)         | (27 178)           | -         | (45 876)       |
| Profit on ordinary activities after taxation - March 2009   | 68 989           | 193 448            | 6 778     | 269 215        |
| Profit on ordinary activities after taxation - March 2008   | 86 773           | 232 037            | 25 885    | 344 695        |
| Adjusted shareholders' equity - 31 March 2009               | 818 736          | 878 830            | 299 776   | 1 997 342      |
| Goodwill and intangible assets (excluding software)         | 216 812          | 22 601             | 35 585    | 274 998        |
| Adjusted tangible shareholders' equity - 31 March 2009      | 601 924          | 856 229            | 264 191   | 1 722 344      |
| Adjusted shareholders' equity - 31 March 2008               | 837 978          | 632 186            | 182 761   | 1 652 925      |
| Goodwill and intangible assets (excluding software)         | 232 145          | 20 790             | 36 608    | 289 543        |
| Adjusted tangible shareholders' equity - 31 March 2008      | 605 833          | 611 396            | 146 153   | 1 363 382      |
| Adjusted average shareholders' equity - 31 March 2009       | 828 357          | 755 508            | 241 269   | 1 825 134      |
| Adjusted average shareholders' equity - 31 March 2008       | 734 966          | 553 607            | 172 585   | 1 461 158      |
| Post-taxation return on average shareholders' equity - 2009 | 8.3%             | 25.6%              | 2.8%      | 14.8%          |
| Post-taxation return on average shareholders' equity - 2008 | 11.8%            | 41.9%              | 15.0%     | 23.6%          |

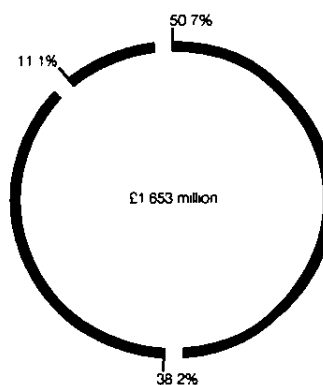
Overview of the year

### Adjusted shareholders' equity by geography

31 March 2009



31 March 2008



UK and Europe

Southern Africa

Australia

## Financial review

### ROE by division

| For the year ended 31 March<br>£'000                                   | PB*      | PCSB*   | CM*      | IB*     | AM*      | PA*     | GSO*      | Total<br>group |
|------------------------------------------------------------------------|----------|---------|----------|---------|----------|---------|-----------|----------------|
| Total operating profit after<br>minority interests                     | 80 463   | 24 102  | 141 374  | 28 166  | 66 186   | 24 681  | 31 794    | 396 766        |
| Notional return on regulatory capital                                  | 58 752   | 1 270   | 55 381   | 12 058  | 1 761    | 6 290   | (135 512) | -              |
| Notional cost of statutory capital                                     | (2 663)  | (2 682) | (7 066)  | -       | (12 642) | (3 953) | 29 006    | -              |
| Cost of subordinated debt                                              | (16 668) | (444)   | (20 615) | (3 573) | (520)    | (1 402) | 43 222    | -              |
| Cost of preference shares                                              | (13 722) | (348)   | (15 278) | (2 886) | (443)    | (1 389) | (11 810)  | (45 876)       |
| Absorption of additional residual<br>costs**                           | (13 441) | (3 780) | (16 777) | (8 357) | (5 292)  | (5 527) | 53 174    | -              |
| Adjusted earnings - 2009                                               | 92 721   | 18 118  | 137 019  | 25 408  | 49 050   | 18 700  | 9 874     | 350 890        |
| Adjusted earnings - 2008                                               | 171 133  | 23 774  | 117 844  | 52 675  | 65 928   | 30 534  | 1 546     | 463 434        |
| Adjusted shareholders' equity -<br>31 March 2009                       | 696 664  | 17 619  | 818 328  | 190 655 | 120 421  | 48 915  | 104 740   | 1 997 342      |
| Goodwill and intangible assets<br>(excluding software)                 | 38 105   | 2 661   | 74 890   | 51 357  | 107 661  | 324     | -         | 274 998        |
| Adjusted tangible shareholders'<br>equity - 31 March 2009              | 658 559  | 14 958  | 743 438  | 139 298 | 12 760   | 48 591  | 104 740   | 1 722 344      |
| Adjusted shareholders' equity -<br>31 March 2008                       | 552 908  | 29 609  | 646 998  | 175 913 | 116 459  | 29 773  | 101 265   | 1 652 925      |
| Goodwill and intangible assets<br>(excluding software)                 | 36 566   | 2 240   | 80 248   | 63 894  | 106 382  | 213     | -         | 289 543        |
| Adjusted tangible shareholders'<br>equity - 31 March 2008              | 516 342  | 27 369  | 566 750  | 112 019 | 10 077   | 29 560  | 101 265   | 1 363 382      |
| Adjusted average shareholders'<br>equity - 31 March 2009               | 624 786  | 23 614  | 732 663  | 183 284 | 118 440  | 39 344  | 103 003   | 1 825 134      |
| Adjusted average shareholders'<br>equity - 31 March 2008               | 515 927  | 36 271  | 502 861  | 153 365 | 119 835  | 24 874  | 108 025   | 1 461 158      |
| Pre-taxation return on adjusted<br>average shareholders' equity - 2009 | 14.8%    | 76.7%   | 18.7%    | 13.9%   | 41.4%    | 47.5%   | 9.6%      | 19.2%          |
| Pre-taxation return on adjusted<br>average shareholders' equity - 2008 | 33.2%    | 65.5%   | 23.4%    | 34.3%   | 55.0%    | 122.8%  | 1.4%      | 31.7%          |

\* Where PB = Private Banking PCSB = Private Client Stockbroking CM = Capital Markets IB = Investment Banking  
AM = Asset Management PA = Property Activities GSO = Group Services and Other Activities

\*\* This allocation represents a portion of the costs remaining in the centre which are indirectly allocated to operating divisions as they facilitate their operations but are excluded in calculating performance incentive remuneration. These allocations are based on managements' estimates of relative benefit derived.

## Financial review

### Total third party assets under management

| £'million                                             | 31 March 2009 | 31 March 2008 |
|-------------------------------------------------------|---------------|---------------|
| Private Banking funds under advice                    | 3 270         | 3 681         |
| UK and Europe                                         | 1 415         | 1 770         |
| South Africa                                          | 1 615         | 1 598         |
| Australia                                             | 240           | 313           |
| Private Client Portfolio Management and Stockbroking  | 16 270        | 19 922        |
| South Africa Private Client Securities                | 6 260         | 6 972         |
| Rensburg Sheppards plc                                | *10 010       | 12 950        |
| Property Activities, South Africa                     | 62            | 73            |
| Investec Asset Management                             | 28 835        | 28 751        |
| UK and international                                  | 13 108        | 13 834        |
| Southern Africa                                       | 15 727        | 14 917        |
| Private Equity and Property Private Equity, Australia | 391           | 322           |
| Total third party assets under management             | 48 828        | 52 749        |

| 31 March 2009<br>£'million                                   | UK, Europe<br>and Other | Southern<br>Africa | Australia | Total  |
|--------------------------------------------------------------|-------------------------|--------------------|-----------|--------|
| Private Banking                                              | 1 415                   | 1 615              | 240       | 3 270  |
| Private Client Portfolio Management and Stockbroking         | *10 010                 | 6 260              | -         | 16 270 |
| Discretionary                                                | -                       | 1 149              | -         | n/a    |
| Non-discretionary                                            | -                       | 5 111              | -         | n/a    |
| Institutional                                                | 7 992                   | 10 760             | -         | 18 752 |
| Retail                                                       | 5 116                   | 4 967              | -         | 10 083 |
| Property Activities                                          | -                       | 62                 | -         | 62     |
| Australia Private Equity and Property funds under management | -                       | -                  | 391       | 391    |
| Total third party assets under management                    | 24 533                  | 23 664             | 631       | 48 828 |

| 31 March 2008<br>£'million                                   | UK, Europe<br>and Other | Southern<br>Africa | Australia | Total  |
|--------------------------------------------------------------|-------------------------|--------------------|-----------|--------|
| Private Banking                                              | 1 770                   | 1 598              | 313       | 3 681  |
| Private Client Portfolio Management and Stockbroking         | 12 950                  | 6 972              | -         | 19 922 |
| Discretionary                                                | -                       | 1 323              | -         | n/a    |
| Non-discretionary                                            | -                       | 5 649              | -         | n/a    |
| Institutional                                                | 7 428                   | 10 270             | -         | 17 698 |
| Retail                                                       | 6 406                   | 4 647              | -         | 11 053 |
| Property Activities                                          | -                       | 73                 | -         | 73     |
| Australia Private Equity and Property funds under management | -                       | -                  | 322       | 322    |
| Total third party assets under management                    | 28 554                  | 23 560             | 635       | 52 749 |

\* As last reported by Rensburg Sheppards plc

## Financial review

### Number of employees

#### By division - permanent employees

|                                                             | 31 March<br>2009 | 31 March<br>2008 |
|-------------------------------------------------------------|------------------|------------------|
| <b>Private Banking</b>                                      |                  |                  |
| UK and Europe                                               | 521              | 566              |
| Southern Africa                                             | 1 400            | 1 507            |
| Australia                                                   | 181              | 199              |
| <b>Total</b>                                                | <b>2 102</b>     | <b>2 272</b>     |
| <b>Private Client Portfolio Management and Stockbroking</b> |                  |                  |
| Southern Africa                                             | 202              | 205              |
| <b>Total</b>                                                | <b>202</b>       | <b>205</b>       |
| <b>Private Client Activities total</b>                      |                  |                  |
| UK and Europe                                               | 521              | 566              |
| Southern Africa                                             | 1 602            | 1 712            |
| Australia                                                   | 181              | 199              |
| <b>Total</b>                                                | <b>2 304</b>     | <b>2 477</b>     |
| <b>Capital Markets</b>                                      |                  |                  |
| UK and Europe                                               | 541              | 589              |
| Southern Africa                                             | 428              | 405              |
| Australia                                                   | 43               | 48               |
| <b>Total</b>                                                | <b>1 012</b>     | <b>1 042</b>     |
| <b>Investment Banking</b>                                   |                  |                  |
| UK Europe and Hong Kong                                     | 147              | 148              |
| Southern Africa                                             | 162              | 167              |
| Australia                                                   | 38               | 41               |
| USA                                                         | 12               | 12               |
| <b>Total</b>                                                | <b>359</b>       | <b>368</b>       |
| <b>Asset Management</b>                                     |                  |                  |
| UK and Europe and Other                                     | 273              | 280              |
| Southern Africa                                             | 605              | 626              |
| <b>Total</b>                                                | <b>878</b>       | <b>906</b>       |
| <b>Property Activities</b>                                  |                  |                  |
| UK and Europe                                               | 5                | 7                |
| Southern Africa                                             | 62               | 58               |
| Australia                                                   | 8                | 6                |
| <b>Total</b>                                                | <b>75</b>        | <b>71</b>        |
| <b>Group Services and Other Activities</b>                  |                  |                  |
| UK and Europe                                               | 231              | 222              |
| Southern Africa                                             | 682              | 698              |
| Australia                                                   | 82               | 130              |
| <b>Total</b>                                                | <b>995</b>       | <b>1 050</b>     |
| <b>Total number of permanent employees</b>                  | <b>5 623</b>     | <b>5 914</b>     |

#### By geography

|                                     | 31 March<br>2009 | 31 March<br>2008 | 31 March<br>2007 | 31 March<br>2006 | 31 March<br>2005 |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|
| UK and Europe                       | 1 706            | 1 812            | 1 294            | 1 166            | 1 308            |
| Southern Africa                     | 3 541            | 3 666            | 3 476            | 3 114            | 2 648            |
| Australia                           | 354              | 424              | 235              | 168              | 140              |
| USA                                 | 22               | 12               | 5                | 5                | 67               |
| Temporary employees and contractors | 328              | 419              | 420              | *                | *                |
| <b>Total number of employees</b>    | <b>5 951</b>     | <b>6 333</b>     | <b>5 430</b>     | <b>4 453</b>     | <b>4 163</b>     |

\* The treatment of temporary employees and contractors for headcount disclosure purposes was not consistently applied across all divisions. The line of business information now only reflects permanent headcount. The geographical information has been presented for comparative purposes. Historical information did include temps and contractors.

## Financial review

### Operating profit before goodwill, non-operating items, taxation and after minorities per employee

#### By division

|                                                                     | PB*     | PCSB*  | CM*     | IB*    | AM*    | PA*    | GSO*   | Total group |
|---------------------------------------------------------------------|---------|--------|---------|--------|--------|--------|--------|-------------|
| Number of employees - 31 March 2009                                 | 2 200   | 208    | 1 060   | 366    | 925    | 78     | 1 114  | 5 951       |
| Number of employees - 31 March 2008                                 | 2 379   | 215    | 1 106   | 376    | 1 027  | 73     | 1 157  | 6 333       |
| Number of employees - 31 March 2007                                 | 1 941   | 205    | 715     | 336    | 924    | 273    | 1 036  | 5 430       |
| Average employees - 12 months to 31 March 2009                      | 2 290   | 212    | 1 083   | 371    | 976    | 76     | 1 135  | 6 143       |
| Average employees - 12 months to 31 March 2008                      | 2 160   | 210    | 911     | 356    | 976    | 173    | 1 096  | 5 882       |
| Operating profit <sup>^</sup> - 31 March 2009 (£'000)               | 80 643  | 12 058 | 141 374 | 27 918 | 66 186 | 24 681 | 31 468 | 384 328     |
| Operating profit <sup>^</sup> - 31 March 2008 (£'000)               | 166 370 | 15 413 | 115 897 | 72 311 | 76 411 | 36 321 | 13 856 | 496 579     |
| Operating profit per employee <sup>^^</sup> - 31 March 2009 (£'000) | 35.2    | 56.9   | 130.5   | 75.3   | 67.8   | 324.8  | 27.7   | 62.6        |
| Operating profit per employee <sup>^^</sup> - 31 March 2008 (£'000) | 77.0    | 73.4   | 127.2   | 203.1  | 78.3   | 209.9  | 12.6   | 84.4        |

Overview of the year

#### By geography

|                                                                     | UK and Europe | Southern Africa | Australia | Total group |
|---------------------------------------------------------------------|---------------|-----------------|-----------|-------------|
| Number of employees - 31 March 2009                                 | 1 803         | 3 794           | 354       | 5 951       |
| Number of employees - 31 March 2008                                 | 1 946         | 3 963           | 424       | 6 333       |
| Number of employees - 31 March 2007                                 | 1 417         | 3 778           | 235       | 5 430       |
| Average employees - 12 months to 31 March 2009                      | 1 875         | 3 879           | 389       | 6 143       |
| Average employees - 12 months to 31 March 2008                      | 1 681         | 3 871           | 330       | 5 882       |
| Operating profit <sup>^</sup> - 31 March 2009 (£'000)               | 88 266        | 293 433         | 2 629     | 384 328     |
| Operating profit <sup>^</sup> - 31 March 2008 (£'000)               | 125 409       | 339 238         | 31 932    | 496 579     |
| Operating profit per employee <sup>^^</sup> - 31 March 2009 (£'000) | 47.1          | 75.6            | 6.8       | 62.6        |
| Operating profit per employee <sup>^^</sup> - 31 March 2008 (£'000) | 74.6          | 87.6            | 96.8      | 84.4        |

\* Where PB=Private Bank PCSB=Private Client Stockbroking CM=Capital Markets IB = Investment Banking

AM=Asset Management PA= Property Activities GSO=Group Services and Other Activities

<sup>^</sup> Excluding operating income from associates

<sup>^^</sup> Based on average number of total employees over the period



## Financial review

### Ten year review

#### Salient features\*

| For the year ended 31 March**                                                                           | 2009    | 2008    | 2007    | 2006    |
|---------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|
| <b>Income statement and selected returns</b>                                                            |         |         |         |         |
| Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items (£'000) | 269 215 | 344 695 | 300 704 | 230 017 |
| Operating profit before goodwill, non-operating items and taxation (£'000) <sup>o</sup>                 | 396 766 | 508 717 | 466 585 | 388 767 |
| Operating profit Southern Africa (% of total) <sup>o</sup>                                              | 74.0%   | 66.7%   | 57.6%   | 68.3%   |
| Operating profit UK, Europe, Australia and Other (% of total) <sup>o</sup>                              | 26.0%   | 33.3%   | 42.4%   | 31.7%   |
| Cost to income ratio                                                                                    | 55.9%   | 56.1%   | 59.0%   | 58.7%   |
| Staff compensation to operating income ratio                                                            | 34.9%   | 37.2%   | 40.9%   | 40.1%   |
| Return on average adjusted shareholders' equity                                                         | 14.8%   | 23.6%   | 26.1%   | 25.5%   |
| Net interest income as a percentage of operating income                                                 | 46.6%   | 39.3%   | 29.2%   | 26.8%   |
| Non-interest income as a percentage of operating income                                                 | 53.4%   | 60.7%   | 70.8%   | 73.2%   |
| Effective operational taxation rate                                                                     | 21.1%   | 22.6%   | 26.3%   | 27.3%   |
| <b>Balance sheet</b>                                                                                    |         |         |         |         |
| Total capital resources (including subordinated liabilities (£'million)                                 | 3 762   | 3 275   | 2 665   | 2 042   |
| Total shareholders' equity (including preference shares and minority interests) (£'million)             | 2 621   | 2 210   | 1 820   | 1 512   |
| Total assets (£'million)                                                                                | 37 105  | 34 104  | 26 300  | 23 901  |
| Core loans and advances (£'million)                                                                     | 16 227  | 12 854  | 10 095  | 9 605   |
| Core loans and advances as a percentage of total assets                                                 | 43.7%   | 37.7%   | 38.4%   | 40.2%   |
| Third party assets under management (£'million)                                                         | 48 828  | 52 749  | 56 121  | 56 331  |
| Capital adequacy ratio Investec plc <sup>o</sup>                                                        | 16.2%   | 15.3%   | 24.7%   | 17.7%   |
| Capital adequacy ratio Investec Limited <sup>o</sup>                                                    | 14.2%   | 13.9%   | 14.7%   | 16.3%   |
| <b>Salient financial features and key statistics</b>                                                    |         |         |         |         |
| Adjusted earnings per share before goodwill and non-operating items (pence)#                            | 42.4    | 56.9    | 53.3    | 41.9    |
| Basic earnings per share (pence)#                                                                       | 38.5    | 57.7    | 54.7    | 53.8    |
| Diluted earnings per share (pence)#                                                                     | 36.1    | 54.0    | 50.4    | 50.0    |
| Dividends per share (pence)#                                                                            | 13.0    | 25.0    | 23.0    | 18.2    |
| Dividend cover (times)                                                                                  | 3.3     | 2.3     | 2.3     | 2.3     |
| Net tangible asset value per share (pence)#                                                             | 266.3   | 215.0   | 178.6   | 148.9   |
| Weighted number of ordinary shares in issue (million)#                                                  | 634.6   | 606.2   | 563.8   | 548.8   |
| Total number of shares in issue (million)#                                                              | 713.2   | 657.6   | 609.3   | 593.0   |
| Closing share price (pence)#                                                                            | 292     | 339     | 658     | 588     |
| Market capitalisation (£'million)                                                                       | 2 083   | 2 229   | 4 009   | 3 488   |
| Number of employees in the group                                                                        | 5 951   | 6 333   | 5 430   | 4 453   |
| Average ZAR/£ exchange rate                                                                             | 14.83   | 14.31   | 13.38   | 11.43   |

\* Refer to definitions on page 320

\*\* The numbers prior to 2005 are reported in terms of UK GAAP, and thereafter in terms of IFRS

^ Calculation not comparable

o The information for 2008 and 2009 is in terms of Basel II and prior to that in terms of Basel I

^^ The dividend for 2000 and 2001 was set in Rand and the dividend thereafter was determined in Pounds Sterling. The Rand dividend per share for 2000 and 2001 was 620 cents and 750 cents respectively

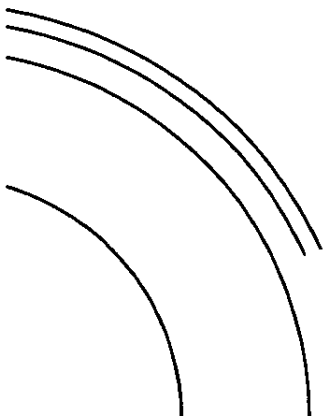
# For comparative purposes historical information has been adjusted for the 5:1 share split that took place on 4 September 2006

o 2008 and 2009 numbers are shown post minorities

| 2005    | 2004    | 2003   | 2002    | 2001    | 2000    |
|---------|---------|--------|---------|---------|---------|
| 149 510 | 106 203 | 89 668 | 127 613 | 100 906 | 87 246  |
| 224 124 | 132 260 | 85 762 | 158 567 | 133 196 | 123 474 |
| 66 9%   | 58 6%   | 81 0%  | 51 6%   | 25 6%   | 15 4%   |
| 33 1%   | 41 4%   | 19 0%  | 48 4%   | 74 4%   | 84 6%   |
| 67 4%   | 72 7%   | 80 0%  | 72 0%   | 72 6%   | 70 2%   |
| 43 4%   | 47 3%   | 51 1%  | 44 5%   | 45 5%   | 43 6%   |
| 20 0%   | 15 4%   | 13 1%  | 19 4%   | 18 2%   | 16 9%   |
| 23 2%   | 18 8%   | 21 3%  | 26 5%   | 28 9%   | 24 6%   |
| 76 8%   | 81 2%   | 78 7%  | 73 5%   | 71 1%   | 75 4%   |
| 28 8%   | 21 0%   | 6 3%   | 18 0%   | 22 6%   | 29 2%   |
| 1 579   | 1 303   | 1 012  | 958     | 842     | 639     |
| 1 076   | 805     | 679    | 768     | 603     | 555     |
| 19 917  | 15 319  | 14 914 | 16 957  | 15 984  | 16 030  |
| 6 408   | 4 846   | 3 909  | 3 314   | 3 299   | 3 083   |
| 32 2%   | 31 6%   | 26 2%  | 19 5%   | 20 6%   | 19 2%   |
| 33 855  | 30 138  | 24 088 | 24 741  | 23 084  | 24 157  |
| 16 1%   | 17 3%   | 14 2%  | ^       | ^       | ^       |
| 17 9%   | 15 1%   | 12 2%  | ^       | ^       | ^       |
| 26 9    | 20 8    | 19 2   | 28 0    | 25 2    | 22 0    |
| 17 8    | 12 0    | (13 4) | 3 0     | 19 8    | 18 0    |
| 17 1    | 11 9    | (13 4) | 2 8     | 19 3    | 17 9    |
| 13 4    | 11 6    | 10 8   | 10 8    | ^^13 7  | ^^12 3  |
| 2 0     | 1 8     | 1 8    | 2 6     | 1 8     | 1 8     |
| 99 2    | 83 0    | 75 0   | 74 8    | ^       | ^       |
| 555 5   | 511 5   | 466 5  | 456 5   | 401 0   | 397 0   |
| 593 0   | 593 0   | 565 0  | 461 0   | 405 0   | 403 0   |
| 311     | 218     | 123    | 161     | 346     | 497     |
| 1 844   | 1 292   | 695    | 742     | 1 400   | 2 005   |
| 4 163   | 4 458   | 4 874  | 5 529   | 4 836   | 4 441   |
| 11 47   | 12 02   | 15 04  | 13 65   | 10 82   | 9 93    |





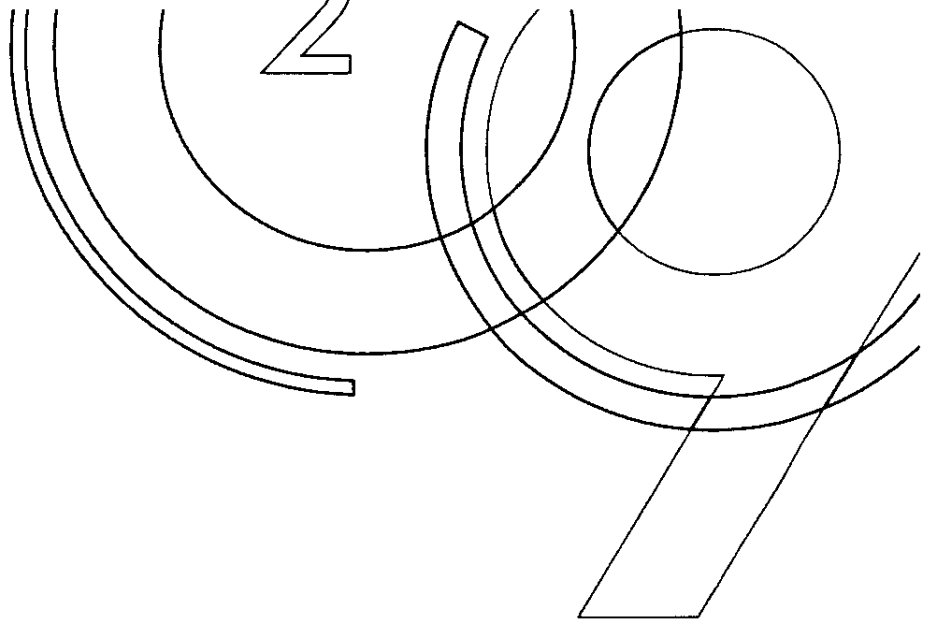


RE-SCAN

RE-SCAN

RE-SCAN

Divisional review 2



RE-SCAN

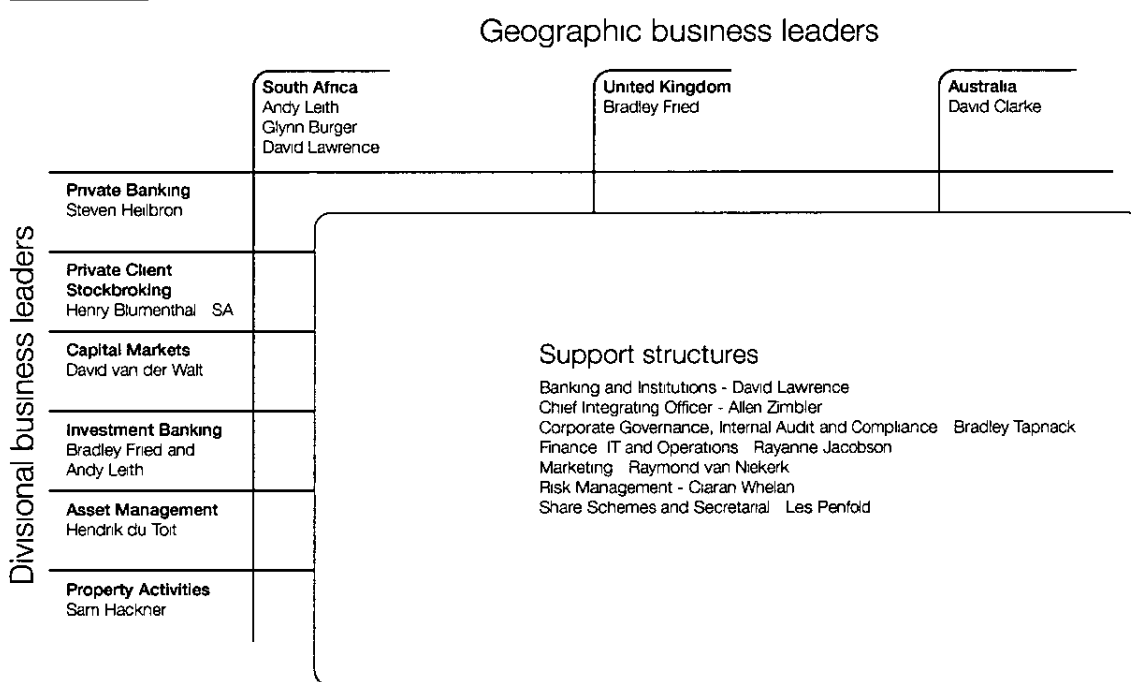
## Divisional review

### Integrated global management structure

#### Global roles

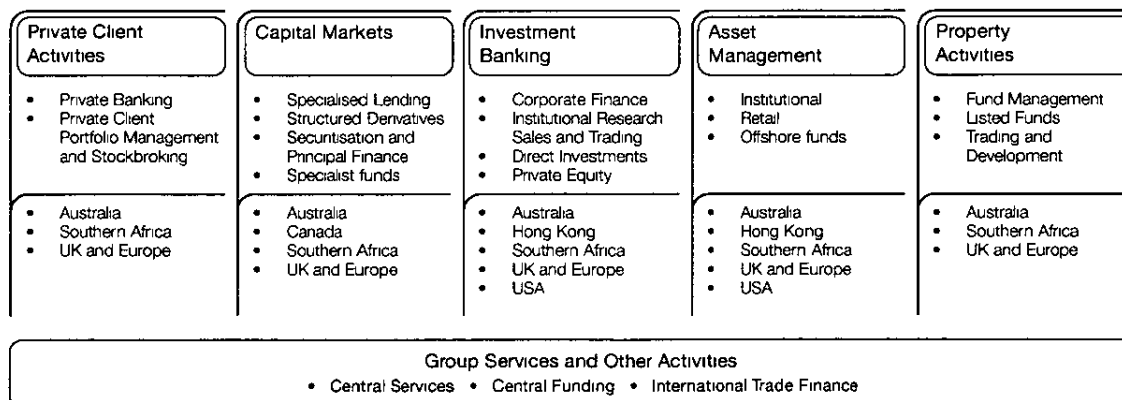
Chief Executive Officer - Stephen Koseff  
Managing Director - Bernard Kantor

Executive Director - Alan Tapnack  
Group Risk and Finance Director - Glynn Burger



### Group operating structure

Our strategic goals and objectives are motivated by the desire to develop an efficient and integrated business on an international scale through the active pursuit of clearly established core competencies in our principal business areas. Our core philosophy has been to build well-defined, value-added businesses focused on serving the needs of select market niches where we can compete effectively.



## Private Client Activities

Partner of choice from wealth creation to wealth management

### Scope of activities

Private Client Activities comprises two businesses Private Banking and Private Client Portfolio Management and Stockbroking

#### Private Banking

|               |                                                                                                                                                                                                                                                                |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Activities    | <ul style="list-style-type: none"><li>- Banking activities</li><li>- Growth and acquisition finance</li><li>- Private wealth management</li><li>- Specialised lending</li><li>- Structured property finance</li><li>- Trust and fiduciary services</li></ul>   |
| Target market | <ul style="list-style-type: none"><li>- Ultra high net worth individuals</li><li>- Active wealthy entrepreneurs</li><li>- High income professionals, self-employed entrepreneurs, owner managers in mid-market companies and sophisticated investors</li></ul> |

#### Private Client Portfolio Management and Stockbroking

|               |                                                                                                                                                                                                                                              |
|---------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Activities    | <ul style="list-style-type: none"><li>- Portfolio management</li><li>- Stockbroking</li><li>- Alternative investments</li><li>- Investment advisory services</li><li>- Electronic trading services</li><li>- Retirement portfolios</li></ul> |
| Target Market | - Private Client Securities, South Africa and Rensburg Sheppards plc, UK High net worth individuals                                                                                                                                          |

### Strategic focus

#### Private Banking

Investec Private Bank positions itself as the 'investment bank for private clients' offering both credit and investment services to our select clientele. Through strong partnerships, we have created a community of clients who thrive on being part of an entrepreneurial and innovative environment.

#### Private Client Portfolio Management and Stockbroking

##### South Africa

**Mission** To be the premier South African portfolio management and stockbroking house

We differentiate ourselves through

- The quality of investment professionals we employ and the relationships we build with our clients
- A dynamic and focused investment process that provides consistent and superior returns
- The provision of innovative investment products and services
- Leveraging the outstanding opportunities available to our clients within the broader Investec group

# Private Client Activities

Partner of choice from wealth creation to wealth management

## Management structure

### Private Banking

Global Head of Private Banking Steven Heilbron

#### UK and Europe

Regional Head  
Structured Property Finance  
Specialised Lending  
Growth and Acquisition Finance  
Specialised Banking

Private Wealth Management

Trust and Fiduciary Guernsey  
Trust and Fiduciary Jersey  
Trust and Fiduciary Switzerland  
Investec Bank Channel Islands  
Investec Bank Switzerland  
Investec Bank Ireland  
Marketing  
Operating Officer  
Finance  
IT

Steven Heilbron  
Paul Stevens  
David Drewienka  
Avron Epstein  
Wayne Preston  
Linda McBain  
Nicky Walden  
Robert Gottlieb  
Kim Hillier  
Jane Kenns  
Mike Spittal  
Xavier Isaac  
Mort Mirghavameddin  
Oliver Betz  
Michael Cullen  
Antonia Kerr  
Chris Forsyth  
Liza Jacobs  
Alan Bletcher

#### South Africa

Regional Head  
Regional Head Cape Town  
Regional Head Durban  
Regional Head Johannesburg  
Regional Head Pretoria  
Regional Head Port Elizabeth  
Banking  
Private Wealth Management  
Treasury  
Compliance  
Credit Risk  
Finance  
IT  
Marketing  
Risk Management

Wessel Oosthuysen  
Rob Nicoletta  
Brendan Stewart  
Colin Franks  
Charl Widd  
Andy Vogel  
Carol-Ann van der Merwe  
Warren King  
Les Scott  
Gordon Malcolm  
Michael Leisegang  
Jodi Joseph  
Denton Muir  
Carol-Ann van der Merwe  
Tim Till

#### Australia

Regional Head  
  
Growth and Acquisition Finance  
Investec Professional Lending  
Private Advisers/Wealth Management  
Private Client Treasury  
Property Investment Banking  
Specialised Lending  
Regional Head Melbourne  
Regional Head Brisbane

Paul Siviour  
Paul Hanley  
Mark Joffe  
Barry Lanesman  
Robert Lipman  
Ivan Katz  
Tim Johansen  
Michael Sack  
Colin Jensen  
Jeff Miller

### Private Client Portfolio Management and Stockbroking

Head of Private Client Securities  
South Africa  
Regional Head Cape Town

Regional Head Durban  
Regional Head Johannesburg  
Regional Head Pietermaritzburg  
Regional Head Port Elizabeth  
Regional Head Pretoria  
Alternative Investments  
Investment Specialists  
Compliance  
Finance and Operations  
Finance  
IT

Risk Management  
Settlements

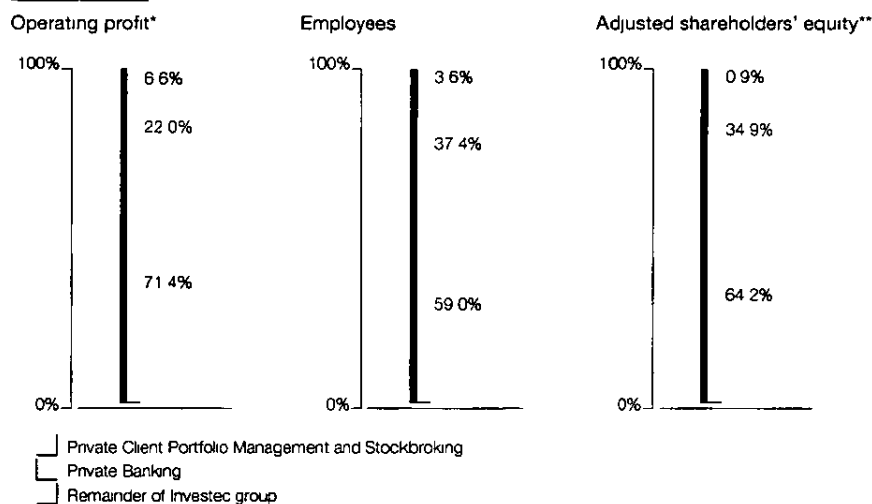
Henry Blumenthal  
Jonathan Bloch  
Stephen Glanz  
Craig Hudson  
Paul Deuchar  
Andrew Smythe  
Andy Vogel  
Len Olivier  
Peter Armitage  
Raymond Goss  
Bernadette Ghennie  
Joubert Hay  
Bella Ferreira  
Lyndon Subroyen  
Alex van Niekerk  
Alex Harding  
Hennie de Waal

Divisional review

## Private Client Activities

Partner of choice from wealth creation to wealth management

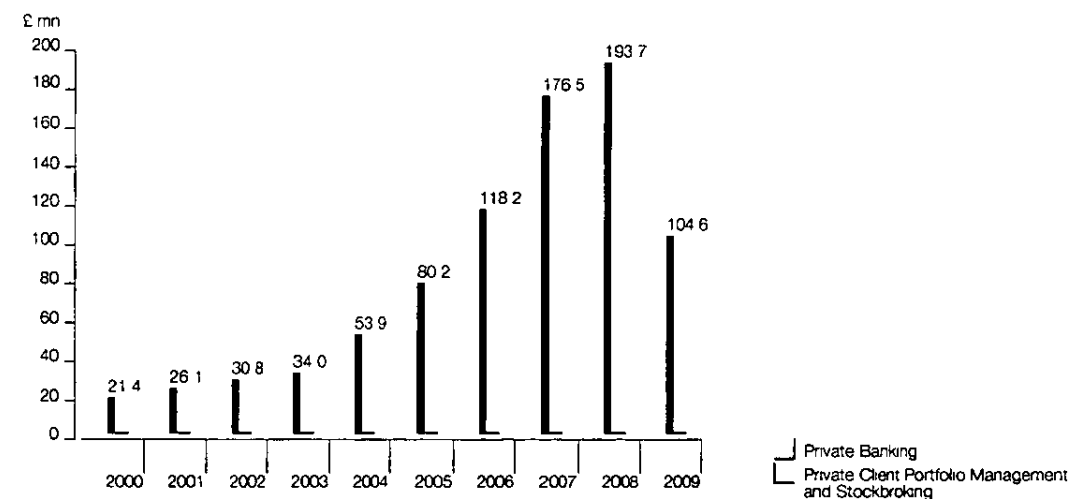
### Contribution analysis



\* Before goodwill, non-operating items, taxation and after minorities (excluding Group Services and Other Activities)

\*\* As calculated on page 28

### Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts for 2008 and 2009 are shown before goodwill, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.

# Private Banking

Partner of choice from wealth creation to wealth management

## Overview and financial analysis

- Operating profit decreased by 51.6% to £80.5 million, contributing 22.0% to group profit
- Higher average advances and a diversified set of revenues continued to drive operating income
- Activity levels have declined and impairment losses on loans and advances have increased in all geographies as a result of the weaker credit environment
- Key earnings drivers
  - Core loans and advances increased by 24.3% to £11.1 billion since 31 March 2008
  - The deposit book increased by 17.0% to £7.7 billion since 31 March 2008
  - Funds under advice decreased by 11.2% to £3.3 billion since 31 March 2008

| £'000                                                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|--------------------------------------------------------------------------------------|------------------|------------------|----------|-------------|
| Net interest income                                                                  | 274 236          | 272 666          | 1 570    | 0.6%        |
| Net fee and commission income                                                        | 97 959           | 111 109          | (13 150) | (11.8%)     |
| Principal transactions                                                               | 7 823            | 34 667           | (26 844) | (77.4%)     |
| Other operating income and operating income from associates                          | 846              | 24               | 822      | >100.0%     |
| Total operating income                                                               | 380 864          | 418 466          | (37 602) | (9.0%)      |
| Impairment losses on loans and advances                                              | (90 094)         | (33 326)         | (56 768) | >100.0%     |
| Admin expenses and depreciation                                                      | (210 307)        | (218 746)        | 8 439    | (3.9%)      |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 80 463           | 166 394          | (85 931) | (51.6%)     |
| UK and Europe                                                                        | 42 034           | 91 619           | (49 585) | (54.1%)     |
| Southern Africa                                                                      | 35 954           | 56 760           | (20 806) | (36.7%)     |
| Australia                                                                            | 2 475            | 18 015           | (15 540) | (86.3%)     |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 80 463           | 166 394          | (85 931) | (51.6%)     |
| Adjusted shareholders' equity*                                                       | 696 664          | 552 908          | 143 756  | 26.0%       |
| ROE (pre-taxation)*                                                                  | 14.8%            | 33.2%            |          |             |
| Cost to income ratio                                                                 | 55.2%            | 52.3%            |          |             |
| Operating profit per employee (£'000)*                                               | 35.2             | 77.0             | (41.8)   | (54.3%)     |

\* As calculated on pages 28 and 31

The variance in operating profit over the year can be explained as follows

- Net interest income increased marginally compared to the prior year impacted by
  - Higher average advances
  - Income from Expenses included for the full period compared to six months in the prior year
  - Decreased arrangement fees, exit fees and deferred income as a result of lower activity levels
  - Tighter net interest margins resulting from an increase in the cost of funding
- The impact of IAS 18 has resulted in a cumulative R576 million (31 March 2008: R648 million) of lending fees in the South African business being deferred for future recognition
- The decrease in net fees and commissions receivable reflects reduced contributions across all three geographies. Europe fell the most off a higher base. General Banking, Private Wealth Management and Trust and Fiduciary had similar contributions to the prior year. Each of the lending specialisations had lower contributions as a result of reduced activity levels and limited exit fees
- Principal transactions include the revaluations and realisations of equity and warrant positions held (these are associated with our lending activities and the manner in which certain of our deals are structured). The decrease in principal transactions reflects difficult market conditions which have impacted the quantum and timing of revaluations and exit opportunities. Furthermore, a number of significant transactions were recorded in the prior year
- Impairment losses on loans and advances have increased in all three geographies as a result of the weaker credit environment
- The decrease in expenses is mainly a result of lower variable remuneration in line with reduced profitability

Divisional review



# Private Banking

Partner of choice from wealth creation to wealth management

## Loans, deposits and funds under advice

| £'million                                                           | UK and Europe |          | Southern Africa |          | Australia |          | Total    |          | %         |
|---------------------------------------------------------------------|---------------|----------|-----------------|----------|-----------|----------|----------|----------|-----------|
| As at                                                               | 31 March      | 31 March | 31 March        | 31 March | 31 March  | 31 March | 31 March | 31 March | change    |
| Loans secured by                                                    | 2009          | 2008     | 2009            | 2008     | 2009      | 2008     | 2009     | 2008     |           |
| Residential mortgages                                               | 736           | 746      | 2 111           | 1 592    | 17        | 27       | 2 864    | 2 365    | 21 1%     |
| Residential developments                                            | 888           | 823      | 399             | 357      | 373       | 257      | 1 660    | 1 437    | 15 5%     |
| Commercial property investment                                      | 1 050         | 910      | 2 522           | 1 574    | 147       | 88       | 3 719    | 2 572    | 44 6%     |
| Commercial property development                                     | 344           | 274      | 115             | 219      | 229       | 255      | 688      | 748      | (8 0%)    |
| Cash and securities backed lending                                  | 280           | 220      | 478             | 358      | 6         | -        | 764      | 578      | 32 2%     |
| Asset backed lending                                                | 244           | 273      | 284             | 225      | 256       | 266      | 784      | 764      | 2 6%      |
| Unlisted shares and general corporate lending                       | 77            | 57       | 221             | 145      | 48        | 62       | 346      | 264      | 31 1%     |
| Unsecured lending                                                   | 64            | 43       | 99              | 100      | 177       | 84       | 340      | 227      | 49 7%     |
| Total gross core loans and advances                                 | 3 683         | 3 346    | 6 229           | 4 570    | 1 253     | 1 039    | 11 165   | 8 955    | 24 7%     |
| Specific impairments                                                | (36)          | (17)     | (33)            | (16)     | (13)      | (9)      | (82)     | (42)     | 95 2%     |
| Portfolio impairments                                               | (2)           | (2)      | (5)             | (3)      | -         | -        | (7)      | (5)      | 40 0%     |
| Net core loans and advances                                         | 3 645         | 3 327    | 6 191           | 4 551    | 1 240     | 1 030    | 11 076   | 8 908    | 24 3%     |
| Asset quality                                                       |               |          |                 |          |           |          |          |          |           |
| Gross defaults                                                      | 169           | 105      | 199             | 58       | 139       | 17       | 507      | 180      | >100 0%   |
| Collateral value                                                    | (137)         | (84)     | (224)           | (42)     | (154)     | (8)      | (515)    | (134)    | >100 0%   |
| Specific impairments                                                | (36)          | (17)     | (33)            | (16)     | (13)      | (9)      | (82)     | (42)     | 95 2%     |
| Net defaults (limited to zero)                                      | -             | 4        | -               | -        | -         | -        | -        | 4        | (>100 0%) |
| Gross defaults as a % of gross core loans and advances              | 4 6%          | 3 1%     | 3 2%            | 1 3%     | 11 1%     | 1 6%     | 4 5%     | 2 0%     | -         |
| Defaults (net of impairments) as a % of net core loans and advances | 3 7%          | 2 7%     | 2 7%            | 1 0%     | 10 1%     | 0 8%     | 3 8%     | 1 6%     | -         |
| Credit loss ratio                                                   | 1 5%          | 0 6%     | 0 3%            | 0 2%     | 1 8%      | 0 8%     | 0 9%     | 0 4%     | -         |

| Net core loans and advances as at | 31 March | 31 March  | %      | 31 March | 31 March               | %       |
|-----------------------------------|----------|-----------|--------|----------|------------------------|---------|
|                                   | 2009     | 2008      | change | 2009     | 2008                   | change  |
|                                   |          | £'million |        |          | Home currency 'million |         |
| UK and Europe                     | 3 645    | 3 327     | 9 6%   | £3 645   | £3 327                 | *9 6%   |
| Southern Africa                   | 6 191    | 4 551     | 36 0%  | R84 048  | R73 562                | 14 3%   |
| Australia                         | 1 240    | 1 030     | 20 4%  | AUD2 561 | AUD2 248               | **13 9% |
| Net core loans and advances       | 11 076   | 8 908     | 24 3%  |          |                        |         |

\* Largely as a result of foreign currency movements of Pounds Sterling against the Euro

\*\* Largely relating to the business of Investec Expenen

| Deposits as at  | 31 March | 31 March  | %      | 31 March | 31 March               | %      |
|-----------------|----------|-----------|--------|----------|------------------------|--------|
|                 | 2009     | 2008      | change | 2009     | 2008                   | change |
|                 |          | £'million |        |          | Home currency 'million |        |
| UK and Europe   | 4 077    | 3 961     | 2 9%   | £4 077   | £3 961                 | 2 9%   |
| Southern Africa | 2 990    | 2 220     | 34 7%  | R40 586  | R35 887                | 13 1%  |
| Australia       | 657      | 423       | 55 3%  | AUD1 358 | AUD931                 | 45 9%  |
| Total deposits  | 7 724    | 6 604     | 17 0%  |          |                        |        |

| Funds under advice as at | 31 March | 31 March  | %       | 31 March | 31 March               | %       |
|--------------------------|----------|-----------|---------|----------|------------------------|---------|
|                          | 2009     | 2008      | change  | 2009     | 2008                   | change  |
|                          |          | £'million |         |          | Home currency 'million |         |
| UK and Europe            | 1 415    | 1 770     | (20 1%) | £1 415   | £1 770                 | (20 1%) |
| Southern Africa          | 1 615    | 1 598     | 1 1%    | R21 926  | R25 835                | (15 1%) |
| Australia                | 240      | 313       | (23 3%) | AUD496   | AUD689                 | (28 0%) |
| Total funds under advice | 3 270    | 3 681     | (11 2%) |          |                        |         |



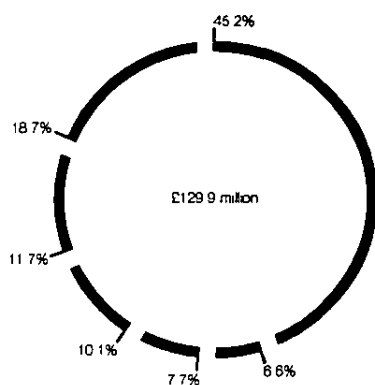
## Private Banking

Partner of choice from wealth creation to wealth management

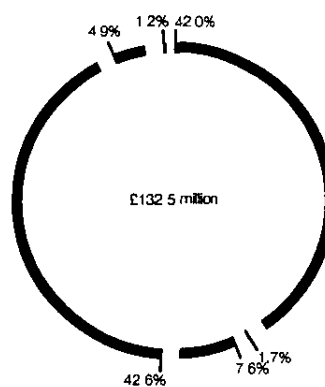
### Analysis of total operating income (post impairments) by geography and area of specialisation

31 March 2009

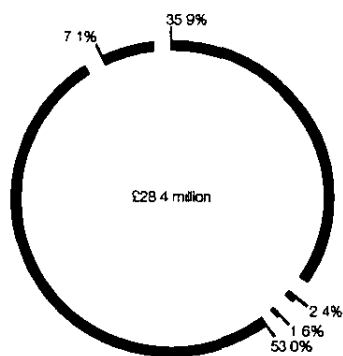
UK and Europe



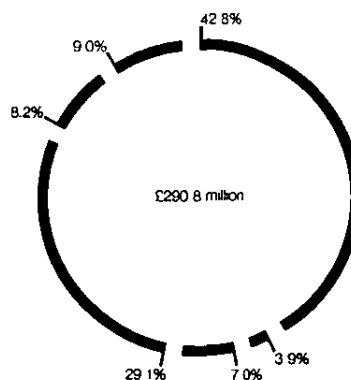
Southern Africa



Australia



Total



Structured Property Finance  
Banking Activities

Growth and Acquisition Finance  
Investment Management and Advisory Services

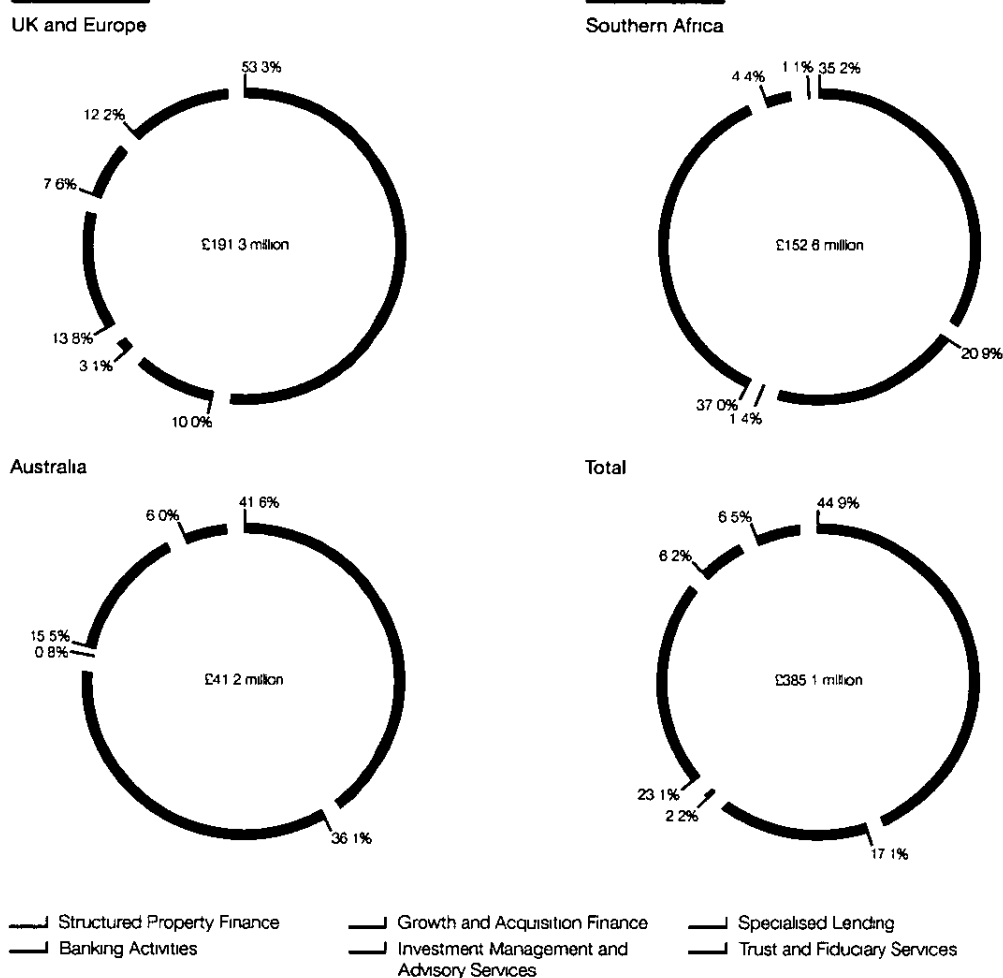
Specialised Lending  
Trust and Fiduciary Services

## Private Banking

Partner of choice from wealth creation to wealth management

### Analysis of total operating income (post impairments) by geography and area of specialisation

31 March 2008



## Developments

### UK and Europe

- Trading conditions in the UK and Europe have been difficult throughout the period, particularly during the second half of the year
- Customer deposits showed a net outflow in the third quarter of the year at the height of the upheaval in the financial markets. This trend was reversed during December 2008 when net inflows were recorded and growth has been strong ever since
- The Banking business continues to be a key focus area where distribution teams, product and marketing have all benefited from a significant increase in investment. The High 5, a three month notice deposit, has been particularly successful in attracting new clients to the Investec brand
- Activity levels in the lending specialisations have been lower. The focus has been on managing underperforming loans and seeking out the opportunistic transactions which arise in this market. In certain areas the competitive landscape has been completely reshaped, presenting an opportunity for Investec Private Bank to build a portfolio and brand which previously would have been impossible
- The Private Wealth Management business has been under pressure as a result of market conditions and the performance of certain special opportunities. This specialisation remains a key area of focus and will continue to benefit from investment over the coming period

## Private Banking

Partner of choice from wealth creation to wealth management

- The Trust and Fiduciary business has again shown modest growth in revenues on the back of reduced activity levels from private clients. Investec Administration Services, a Guernsey based funds administration business, was sold during the fourth quarter of the year. The sale had an immaterial impact on overall profits.

## Southern Africa

- Trading conditions deteriorated in South Africa during the second half of the year.
- Customer deposits showed a net outflow in the second and third quarters of the year at the height of the upheaval in the financial markets. This trend was reversed during December 2008 when net inflows were recorded and growth has been positive ever since.
- Money markets were tight throughout the period, making funding through securitisation vehicles more difficult than in the past.
- Assets under management were under pressure as a result of market conditions, as well as the performance of certain special opportunities. This specialisation did however attract R2.7 billion of new money over the period.
- The Structured Property Finance specialisation is experiencing lower activity levels, particularly in the residential development space. The commercial property market is showing resilience despite current market conditions.
- In the Growth and Acquisition specialisation activity levels have remained strong throughout the year. Exits have, however, been delayed due to the economic environment and some write-downs have been taken on equity stakes and profit shares held.
- The loan portfolio in the Banking business performed well albeit in more difficult economic conditions. This serves to illustrate the sound credit quality of our client base. The private bank account business did, however, suffer from reduced point of sale income as private client spending was lower.
- The Insurance business was sold to Santam Ltd with effect from 1 December 2008. This had an immaterial impact on overall profits.

## Australia

- The professional finance business of Investec-Expenen has been fully integrated into Investec Private Bank and now operates under the Investec-Expenen brand. This business has provided a diversification to the historical lending portfolio and has achieved book growth of 30%.
- Through product innovation, broadening of distribution channels and the depositor base, and the introduction of the Government Guarantee scheme, private client deposits have increased by 46% during the period under review. The cost of retail funds has, however, also increased.
- Lending activities in Structured Property Finance, Specialised Lending and Growth and Acquisition Finance have been negatively affected by the economic environment. Activity levels are down and there have been no material realisations of equity stakes and profit shares.

## Outlook, risks and uncertainties

- Current market conditions continue to have a negative impact on impairments, realisations and activity levels across each of the lending specialisations.
- We expect growth in the combined total loan portfolio to be flat for the year ahead, and we will continue to re-price existing assets.
- Substantial investment will continue to be made in our general banking business targeting retail deposits.
- The drive to accelerate the contribution of our Private Wealth Management business will be supported by further investment.
- We will continue to focus on realigning costs to future revenues.
- Management of impairments and underperforming loans remains a key focus in all geographies for the forthcoming period.
- The business will continue to seek out opportunistic transactions resulting from the fallout in the broader market.



# Private Client Portfolio Management and Stockbroking

Partner of choice from wealth creation to wealth management

## Overview and financial analysis

- Operating profit decreased by 11.8% to £24.1 million contributing 6.6% to group profit
- Since 31 March 2008 private client funds under management in South Africa decreased by 24.6% from R112.7 billion to R85 billion

| £'000                                                                                | 31 March 2009 | 31 March 2008 | Variance | % change |
|--------------------------------------------------------------------------------------|---------------|---------------|----------|----------|
| Net interest income                                                                  | 2,051         | 76            | 1,975    | >100.0%  |
| Net fee and commission income                                                        | 32,100        | 36,564        | (4,464)  | (12.2%)  |
| Principal transactions                                                               | 42            | 1,205         | (1,163)  | (96.5%)  |
| Other operating income and operating income from associates                          | 12,044        | 11,929        | 115      | 1.0%     |
| Total operating income                                                               | 46,237        | 49,774        | (3,537)  | (7.1%)   |
| Admin expenses and depreciation                                                      | (22,135)      | (22,432)      | 297      | (1.3%)   |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 24,102        | 27,342        | (3,240)  | (11.8%)  |
| UK and Europe                                                                        | 12,044        | 11,929        | 115      | 1.0%     |
| Southern Africa                                                                      | 12,058        | 15,413        | (3,355)  | (21.8%)  |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 24,102        | 27,342        | (3,240)  | (11.8%)  |
| Adjusted shareholders' equity*                                                       | 17,619        | 29,609        | (11,990) | (40.5%)  |
| ROE (pre-taxation)*                                                                  | 76.7%         | 65.5%         |          |          |
| Cost to income ratio excluding income from associates                                | 64.7%         | 59.3%         |          |          |
| Cost to income ratio                                                                 | 47.9%         | 45.1%         |          |          |
| Operating profit per employee (£'000)*                                               | 56.9          | 73.4          | (16.5)   | (22.5%)  |

\* As calculated on pages 28 and 31

The variance in operating profit over the year can be explained as follows

- The South African Private Client Portfolio Management and Stockbroking business has been negatively impacted by lower market volumes and the absence of performance fees on alternative investments
- Investec's UK Private Client Stockbroking business, Carr Sheppards Crosthwaite, was sold to Rensburg plc on 6 May 2005. We retain a 47.3% interest in the combined entity, Rensburg Sheppards plc. Post the 6 May 2005 the results of the combined entity Rensburg Sheppards plc have been equity accounted and the directors' estimate of these results are included in the line item 'operating income from associates' (the £12 million income reflected above is post an estimate for tax of approximately £4.7 million)

## Developments

### UK and Europe

Rensburg Sheppards plc released its results for the year ended 31 March 2009 on 10 June 2009. Salient features of the results extracted directly from the announcement released by the company include

#### \*Key points

- Profit before tax of £30.5 million (2008: £31.2 million)
- Adjusted\* profit before tax of £36.6 million (2008: £41.5 million)
- Basic earnings per share of 49.0 pence (2008: 47.9 pence)
- Adjusted\* basic earnings per share of 59.4 pence (2008: 65.4 pence)
- Recommended final dividend maintained at 17.0 pence, making an unchanged total dividend for the year of 25.5 pence
- Group funds under management at 31 March 2009 of £10.01 billion (2008: £12.95 billion)

\* Before amortisation of the client relationships intangible asset, share based charges relating to the Employee Benefit Trust ('EBT') and the loss on disposal of available for sale investments. These items amount to a net charge before tax of £6.1 million (2008: £10.3 million) and a net charge after tax of £4.5 million (2008: £7.7 million)\*

# Private Client Portfolio Management and Stockbroking

Partner of choice from wealth creation to wealth management

## Southern Africa

| Funds under management as at | 31 March<br>2009 | 31 March<br>2008<br>R'million | %<br>change | 31 March<br>2009 | 31 March<br>2008<br>£'million | %<br>change |
|------------------------------|------------------|-------------------------------|-------------|------------------|-------------------------------|-------------|
| Discretionary                | 15 594           | 21 406                        | (27.2%)     | 1 149            | 1 323                         | (13.2%)     |
| Non-discretionary            | 69 386           | 91 338                        | (24.0%)     | 5 111            | 5 649                         | (9.5%)      |
| Total                        | 84 980           | 112 744                       | (24.6%)     | 6 260            | 6 972                         | (10.2%)     |

| Net (outflows)/inflows at cost over the period | 31 March<br>2009<br>R'million | 31 March<br>2008<br>R'million |
|------------------------------------------------|-------------------------------|-------------------------------|
| Discretionary                                  | (897)                         | 1 865                         |
| Non-discretionary                              | (2 097)                       | 5 431                         |
| Total                                          | (2 994)                       | 7 296                         |

## Outlook, risks and uncertainties

### Southern Africa

- JSE market volumes are expected to decline year-on-year as record investment activity in recent times, which was largely credit induced, starts slowing down in line with a maturing recessionary cycle
- Ongoing deterioration in international economies and the consequent effects on corporate profits should add to investor disaffection towards equities notwithstanding good, long-term value currently presented in certain parts of the market. Similarly speculative trading activity is expected to decrease as volatility subsides and share price inefficiencies gradually diminish, thereby reducing prospective short-term returns
- We are reasonably confident that current and future business strategies which focus on alternative commission and brokerage revenue, together with the large annuity fee income stream earned from discretionary assets under management, should help offset reductions in traditional share trading and other non-discretionary brokerage income. Furthermore, our conservative risk management policies in prior years leaves us relatively unexposed to the direct effects of the credit market collapse particularly where this relates to trading activity in leveraged derivative instruments (Single Stock Futures and CFDs) and client carry accounts
- We continue to focus on disciplined cost management and are optimistic that expenses can be controlled without detracting from client service quality levels and the high calibre staff resources that we employ
- We are confident that our business strategies and various specialised services are suited to the current environment and that our solid position will allow us to capitalise on any distressed opportunities within the industry



# Capital Markets

Specialist structuring and advisory business

## Scope of activities

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

## Strategic focus

Our objectives include

- Continuing to remain a focused and specialised business, targeting markets and products where we can be distinctive and competitive
- Through a strong disciplined approach centred on clients and delivery of structured products, we seek
  - Select asset creation opportunities
  - Product structuring and distribution opportunities
  - Trading, hedging and proprietary market opportunities
  - Advisory mandates
  - Specialist fund opportunities
- Continuing to concentrate on systems, processes and automation to ensure maximum competitive advantage and long-term cost savings

## Management structure

Global Head of Capital Markets David Van Der Walt

Australia

Regional Head and Commodities and Resource Finance (International)  
Commodities and Resource Finance  
Project Finance

Jose de Nobrega  
Anthony Hawke  
Peter Mansfield  
Mark Schneider  
Dean You Lee  
David Phillips  
Jeff Duncan-Nagy  
Carl Dennis

UK and Europe

Regional Head  
Treasury Products and Distribution  
Fixed Income  
Balance Sheet Management  
Commodities and Resource Finance  
Structured Equity Derivatives  
Principal Finance  
Structured and Asset Finance  
Project Finance (UK and International)  
Operations (UK and International)  
Regional Head Ireland  
Treasury products and distribution Ireland  
Equity Finance Ireland

David Van Der Walt  
Chris Meyer  
David Kantor  
John Barbour  
George Rogers  
Andrew Brogden  
Andy Clapham  
Alistair Crowther  
Maunce Hochschild  
Kevin McKenna  
Michael Cullen

Financial Products  
Structured Finance  
Treasury  
Operations

Aisling Dodgson  
Loman Gallagher

South Africa

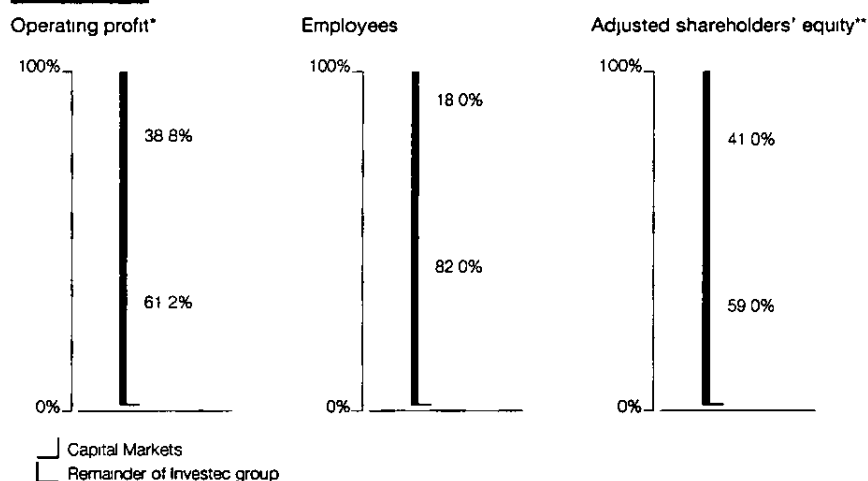
Regional Head  
Resource and Infrastructure Finance  
Equity Derivatives and Foreign  
Exchange Trading  
Financial Products and Corporate  
Treasury  
Structured and Asset Finance  
Balance Sheet Management and  
Interest Rate Trading  
Regional Head Mauritius  
Operations

Richard Wainwright  
Michael Meeser  
  
Milton Samios  
  
Mark Cume  
David Kuming  
  
Clive Sindelman  
Craig McKenzie  
Stuart Spencer

## Capital Markets

Specialist structuring and advisory business

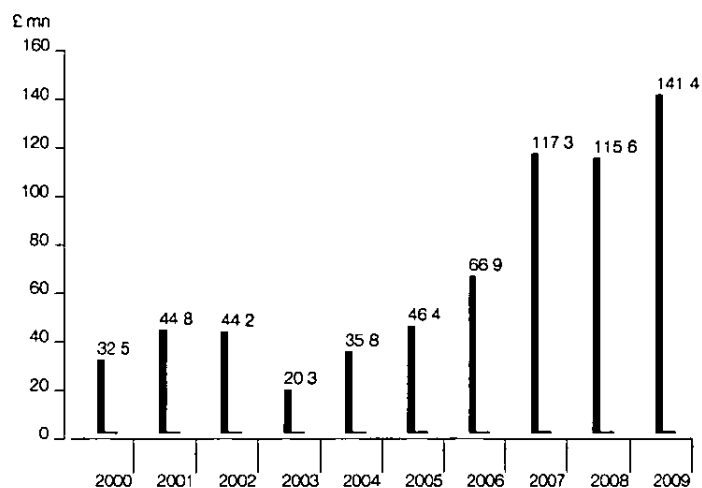
### Contribution analysis



\* Before goodwill, non-operating items, taxation and after minorities (excluding Group Services and Other Activities)

\*\* As calculated on page 28

### Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts for 2008 and 2009 are shown before goodwill, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.

# Capital Markets

Specialist structuring and advisory business

## Overview and financial analysis

- Operating profit increased by 22.3% to £141.4 million, contributing 38.8% to group profit
- The advisory structuring and trading businesses continued to perform well
- The results of the Principal Finance division improved substantially as current year write downs on US structured credit investments of £13 million were significantly less than the prior period of £49 million
- Core loans and advances have grown by 26.5% to £4.8 billion since 31 March 2008
- Investec plc acquired Kensington with effect from 8 August 2007. The businesses of Kensington now form part of the Capital Markets business in the UK. Salient information with respect to Kensington is provided below and should be taken into account when assessing the variance analysis provided

| £'000                                                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|--------------------------------------------------------------------------------------|------------------|------------------|----------|-------------|
| Net interest income                                                                  | 286 712          | 227 174          | 59 538   | 26.2%       |
| Net fee and commission income                                                        | 115 465          | 86 831           | 28 634   | 33.0%       |
| Principal transactions                                                               | 140 462          | 97 998           | 42 464   | 43.3%       |
| Other operating income and operating income from associates                          | -                | (266)            | 266      | 100.0%      |
| Total operating income                                                               | 542 639          | 411 737          | 130 902  | 31.8%       |
| Impairment losses on loans and advances                                              | (155 841)        | (79 336)         | (76 505) | 96.4%       |
| Admin expenses and depreciation                                                      | (246 195)        | (216 651)        | (29 544) | 13.6%       |
| Operating profit before goodwill, non-operating items and taxation                   | 140 603          | 115 750          | 24 853   | 21.5%       |
| Earnings attributable to minority interests                                          | 771              | (119)            | 890      | >100.0%     |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 141 374          | 115 631          | 25 743   | 22.3%       |
| UK and Europe                                                                        | 78 015           | 39 187           | 38 828   | 99.1%       |
| Southern Africa                                                                      | 61 150           | 68 118           | (6 968)  | (10.2%)     |
| Australia                                                                            | 2 209            | 8 326            | (6 117)  | (73.5%)     |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 141 374          | 115 631          | 25 743   | 22.3%       |
| Adjusted shareholders' equity*                                                       | 818 328          | 646 998          | 171 330  | 26.5%       |
| ROE (pre-taxation)*                                                                  | 18.7%            | 23.4%            |          |             |
| Cost to income ratio                                                                 | 45.4%            | 52.6%            |          |             |
| Operating profit per employee (£'000)*                                               | 130.5            | 127.2            | 3.3      | 2.6%        |

\* As calculated on pages 28 and 31

The variance in operating profit over the year can be explained as follows

- Net interest income has benefited from an increase in average advances in the UK and South Africa, higher average spreads and from the acquisition of Kensington
- The increase in net fee and commission income is attributable to another solid performance from the advisory and structuring businesses
- The increase in principal transactions primarily reflects a lower level of losses on the US structured credit investments in the current period of £13 million compared to £49 million written off in the prior year, the acquisition of Kensington and the improved performance of the trading desks
- Impairment losses on loans and advances have increased by £76.5 million mainly due to increased write-downs on resource finance transactions, the Acquisition Finance book and Kensington
- Expenses have increased largely due to an increase in average headcount to support the new initiatives on the trading desks, the continued investment in product development and IT infrastructure and a full year of Kensington ownership



## Capital Markets

Specialist structuring and advisory business

### Analysis of total operating income by geography

| £'000                             | 31 March<br>2009 | 31 March<br>2008 | Variance       |
|-----------------------------------|------------------|------------------|----------------|
| <b>UK and Europe</b>              | <b>370 953</b>   | <b>240 794</b>   | <b>130 159</b> |
| Trading Activities                | 88 158           | 48 790           | 39 368         |
| Principal Finance                 | 57 073           | (13 507)         | 70 580         |
| Commodities and Resource Finance  | (2 704)          | 15 706           | (18 410)       |
| Structured and Asset Finance      | 50 301           | 70 196           | (19 895)       |
| Kensington                        | 178 125          | 119 609          | 58 516         |
| <b>Southern Africa</b>            | <b>156 002</b>   | <b>150 096</b>   | <b>5 906</b>   |
| Trading Activities                | 46 905           | 34 838           | 12 067         |
| Treasury Activities               | 53 248           | 42 507           | 10 741         |
| Financial Products                | 20 252           | 17 921           | 2 331          |
| Lending Activities                | 35 597           | 54 830           | (19 233)       |
| <b>Australia</b>                  | <b>15 684</b>    | <b>20 847</b>    | <b>(5 163)</b> |
| Trading Activities                | 2 058            | 1 829            | 229            |
| Treasury/Balance Sheet Management | 612              | 4 014            | (3 402)        |
| Financial Products                | 2 282            | 2 845            | (563)          |
| Lending Activities                | 5 275            | 11 144           | (5 869)        |
| Structured Finance                | 5 457            | 1 015            | 4 442          |
| <b>Total</b>                      | <b>542 639</b>   | <b>411 737</b>   | <b>130 902</b> |

### Core loans and advances (excluding Kensington)

| £'million<br>As at                                                  | UK and Europe    |                  | Southern Africa  |                  | Australia        |                  | Total            |                  | %<br>change  |
|---------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------|
|                                                                     | 31 March<br>2009 | 31 March<br>2008 | 31 March<br>2009 | 31 March<br>2008 | 31 March<br>2009 | 31 March<br>2008 | 31 March<br>2009 | 31 March<br>2008 |              |
| <b>Total gross core loans and advances</b>                          | <b>2 279</b>     | <b>2 000</b>     | <b>2 418</b>     | <b>1 658</b>     | <b>170</b>       | <b>141</b>       | <b>4 867</b>     | <b>3 799</b>     | <b>28.1%</b> |
| Specific impairments                                                | (37)             | (3)              | (24)             | -                | (3)              | -                | (64)             | (3)              | >100.0%      |
| Portfolio impairments                                               | (1)              | -                | (1)              | -                | -                | -                | (2)              | -                | >100.0%      |
| <b>Net core loans and advances</b>                                  | <b>2 241</b>     | <b>1 997</b>     | <b>2 393</b>     | <b>1 658</b>     | <b>167</b>       | <b>141</b>       | <b>4 801</b>     | <b>3 796</b>     | <b>26.5%</b> |
| <b>Asset quality</b>                                                |                  |                  |                  |                  |                  |                  |                  |                  |              |
| Gross defaults                                                      | 116              | 34               | 44               | -                | 12               | -                | 172              | 34               | >100.0%      |
| Collateral value                                                    | (81)             | (30)             | (33)             | -                | (10)             | -                | (124)            | (30)             | >100.0%      |
| Specific impairments                                                | (37)             | (3)              | (24)             | -                | (3)              | -                | (64)             | (3)              | >100.0%      |
| <b>Net defaults (limited to zero)</b>                               | <b>-</b>         | <b>1</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>-</b>         | <b>1</b>         | <b>-</b>     |
| Gross defaults as a % of gross core loans and advances              | 5.1%             | 1.7%             | 1.8%             | -                | 7.3%             | -                | 3.6%             | 0.9%             | -            |
| Defaults (net of impairments) as a % of net core loans and advances | 3.5%             | 1.6%             | 0.9%             | -                | 5.9%             | -                | 2.2%             | 0.9%             | -            |
| Credit loss ratio                                                   | 1.7%             | 0.3%             | 1.1%             | 1.2%             | 1.6%             | -                | 1.4%             | 0.7%             | -            |

| Net core loans and advances as at  | 31 March<br>2009 | 31 March<br>2008<br>£'million | %<br>change  | 31 March<br>2009 | 31 March<br>2008<br>Home currency 'million | %<br>change |
|------------------------------------|------------------|-------------------------------|--------------|------------------|--------------------------------------------|-------------|
| UK and Europe                      | 2 241            | 1 997                         | 12.2%        | £2 241           | £1 997                                     | *12.2%      |
| Southern Africa                    | 2 393            | 1 658                         | 44.3%        | R32 484          | R26 811                                    | 21.2%       |
| Australia                          | 167              | 141                           | 18.4%        | AUD345           | AUD310                                     | 11.3%       |
| <b>Net core loans and advances</b> | <b>4 801</b>     | <b>3 796</b>                  | <b>26.5%</b> |                  |                                            |             |

\* Largely as a result of foreign currency movements of Pounds Sterling against the Euro

## Capital Markets

Specialist structuring and advisory business

### Kensington – salient financial information

#### Summary income statement

| £'000                                                              | Year ended<br>31 March<br>2009 | Period 8 Aug<br>2007 to<br>31 March<br>2008 |
|--------------------------------------------------------------------|--------------------------------|---------------------------------------------|
| Total operating income                                             | 178 125                        | 119 609                                     |
| Impairment losses on loans and advances                            | (93 246)                       | (55 400)                                    |
| Admin expenses and depreciation                                    | (47 738)                       | (39 938)                                    |
| Operating profit before goodwill, non-operating items and taxation | 37 141                         | 24 271                                      |

#### Key statistics

| As at 31 March 2009                                                                   | Warehouse<br>book | Securitised<br>portfolio | Total         | % of total    |
|---------------------------------------------------------------------------------------|-------------------|--------------------------|---------------|---------------|
| <b>Assets and business activity statistics</b>                                        |                   |                          |               |               |
| Mortgage assets under management (£'million)                                          | 1 897             | 3 268                    | 5 165         |               |
| IFRS adjustments (£'million)                                                          | 12                | 47                       | 59            |               |
| Mortgage assets under management (£'million)                                          | 1 885             | 3 221                    | 5 106         |               |
| First charge % of total mortgage assets under management                              | 92.8%             | 94.2%                    | 93.7%         |               |
| Second charge % of total mortgage assets under management                             | 7.2%              | 5.8%                     | 6.3%          |               |
| Fixed rate loans % of total mortgage assets under management                          | 57.8%             | 23.6%                    | 36.2%         |               |
| Number of accounts                                                                    | 17 151            | 35 056                   | 52 207        |               |
| Average loan balance (first charge)                                                   | £144 513          | £111 444                 | £121 630      |               |
| Largest loan balance                                                                  | £1 127 239        | £1 224 368               | £1 224 368    |               |
| Weighted average loan mature margin                                                   | 3.8%              | 4.1%                     | 4.0%          |               |
| <b>Product mix (pre-IFRS adjustments) (£'million)</b>                                 | <b>1 885</b>      | <b>3 221</b>             | <b>5 106</b>  | <b>100.0%</b> |
| Prime                                                                                 | 11                | -                        | 11            | 0.2%          |
| Near prime                                                                            | 656               | 536                      | 1 192         | 23.4%         |
| Prime Buy to Let                                                                      | 1                 | -                        | 1             | -             |
| Adverse                                                                               | 478               | 2 174                    | 2 652         | 51.9%         |
| Adverse Buy to Let and Right to Buy                                                   | 82                | 160                      | 242           | 4.7%          |
| Start - Insh operations                                                               | 657               | 351                      | 1 008         | 19.8%         |
| <b>Geographic distribution (£'million)</b>                                            | <b>1 885</b>      | <b>3 221</b>             | <b>5 106</b>  | <b>100.0%</b> |
| UK - North                                                                            | 383               | 927                      | 1 310         | 25.6%         |
| UK - South West                                                                       | 95                | 201                      | 296           | 5.8%          |
| UK - South East                                                                       | 276               | 597                      | 873           | 17.1%         |
| Outer London                                                                          | 181               | 354                      | 535           | 10.5%         |
| Inner London                                                                          | 93                | 212                      | 305           | 6.0%          |
| Midlands                                                                              | 200               | 579                      | 779           | 15.3%         |
| Start - Insh operations                                                               | 657               | 351                      | 1 008         | 19.7%         |
| <b>Spread of value of properties</b>                                                  | <b>100.0%</b>     | <b>100.0%</b>            | <b>100.0%</b> |               |
| >£500 000                                                                             | 3.9%              | 1.5%                     | 2.3%          |               |
| >£250 000 - <=£500 000                                                                | 24.1%             | 12.6%                    | 16.4%         |               |
| >£200 000 - <=£250 000                                                                | 15.6%             | 11.7%                    | 13.0%         |               |
| >£150 000 - <=£200 000                                                                | 19.9%             | 19.4%                    | 19.5%         |               |
| >£100 000 - <=£150 000                                                                | 23.4%             | 28.6%                    | 26.9%         |               |
| >£70 000 - <=£100 000                                                                 | 11.6%             | 19.6%                    | 17.0%         |               |
| >£50 000 - <=£70 000                                                                  | 1.4%              | 5.3%                     | 4.0%          |               |
| <£50 000                                                                              | 0.1%              | 1.3%                     | 0.9%          |               |
| <b>Asset quality statistics</b>                                                       |                   |                          |               |               |
| Weighted average current LTV of active portfolio (adjusted for house price deflation) | 87.5%             | 80.8%                    | 83.3%         |               |

\* Bad debt provision is based on a house price decline assumption of circa -40% i.e. 2008 -15% 2009 -15% and an extra -10% haircut to the price to reflect forced sale discount

## Capital Markets

Specialist structuring and advisory business

### Key statistics (continued)

| As at 31 March 2009                                                    | Warehouse book | Securitised portfolio | Total  | % of total |
|------------------------------------------------------------------------|----------------|-----------------------|--------|------------|
| LTV spread - % of book                                                 | 100.0%         | 100.0%                | 100.0% |            |
| <= 65%                                                                 | 18.4%          | 22.3%                 | 20.8%  |            |
| >65% - <70%                                                            | 4.2%           | 5.3%                  | 4.9%   |            |
| >70% - <75%                                                            | 4.4%           | 6.2%                  | 5.5%   |            |
| >75% - <80%                                                            | 5.4%           | 7.6%                  | 6.8%   |            |
| >80% - <85%                                                            | 5.8%           | 9.5%                  | 8.2%   |            |
| >85% - <90%                                                            | 7.1%           | 11.8%                 | 10.0%  |            |
| >90% - <95%                                                            | 8.2%           | 12.5%                 | 10.9%  |            |
| >95% - <100%                                                           | 11.0%          | 11.7%                 | 11.5%  |            |
| > 100%                                                                 | 35.5%          | 13.1%                 | 21.4%  |            |
| % of accounts >90 days in arrears                                      | 19.8%          | 25.1%                 | 23.4%  |            |
| Number of accounts >90 in arrears                                      | 3,404          | 8,793                 | 12,197 |            |
| Total capital lent in arrears (£'million)                              | 605            | 1,377                 | 1,982  | 100.0%     |
| Arrears 0 - 60 days                                                    | 118            | 252                   | 370    | 18.7%      |
| Arrears 61 - 90 days                                                   | 84             | 192                   | 276    | 13.9%      |
| Arrears >90 days                                                       | 369            | 806                   | 1,175  | 59.3%      |
| Possession                                                             | 34             | 127                   | 161    | 8.1%       |
| Debt to income ratio of clients                                        | 22.4%          | 24.3%                 | 23.6%  |            |
| Investec investment/exposure to assets reflected above (£'million)     | 474            | 169                   | 643    |            |
| On balance sheet provision (£'million)                                 | (61)           | (66)                  | (127)  |            |
| Investec net investment/exposure to assets reflected above (£'million) | 413            | 103                   | 516    |            |

Divisional review

# Capital Markets

Specialist structuring and advisory business

## Key statistics (continued)

| As at 31 March 2008                                                                           | Warehouse book | Securitised portfolio | Total         | % of total    |
|-----------------------------------------------------------------------------------------------|----------------|-----------------------|---------------|---------------|
| <b>Assets and business activity statistics</b>                                                |                |                       |               |               |
| Mortgage assets under management (£'million)                                                  | 2 035          | 4 063                 | 6 098         |               |
| IFRS adjustments (£'million)                                                                  | 69             | (59)                  | 10            |               |
| Mortgage assets under management                                                              | 1 966          | 4 122                 | 6 088         |               |
| First charge % of total mortgage assets under management                                      | 91.5%          | 94.2%                 | 93.3%         |               |
| Second charge % of total mortgage assets under management                                     | 8.5%           | 5.8%                  | 6.7%          |               |
| Fixed rate loans % of total mortgage assets under management                                  | 60.9%          | 44.2%                 | 49.6%         |               |
| Number of accounts                                                                            | 19 443         | 45 407                | 64 850        |               |
| Average loan balance (first charge)                                                           | £135 369       | £109 793              | £116 782      |               |
| Largest loan balance                                                                          | £1 001 672     | £1 075 835            | £1 075 835    |               |
| Weighted average loan mature margin                                                           | 3.5%           | 3.7%                  | 3.6%          |               |
| <b>Product mix (pre-IFRS adjustments) (£'million)</b>                                         | <b>1 966</b>   | <b>4 122</b>          | <b>6 088</b>  | <b>100.0%</b> |
| Prime                                                                                         | 67             | -                     | 67            | 1.1%          |
| Near prime                                                                                    | 690            | 694                   | 1 384         | 22.7%         |
| Prime Buy to Let                                                                              | 12             | -                     | 12            | 0.2%          |
| Adverse                                                                                       | 551            | 2 842                 | 3 393         | 55.7%         |
| Adverse Buy to Let and Right to Buy                                                           | 87             | 212                   | 299           | 4.9%          |
| Start - Irish operations                                                                      | 559            | 374                   | 933           | 15.4%         |
| <b>Geographic distribution (£'million)</b>                                                    | <b>1 966</b>   | <b>4 122</b>          | <b>6 088</b>  | <b>100.0%</b> |
| UK - North                                                                                    | 438            | 1 216                 | 1 654         | 27.1%         |
| UK - South West                                                                               | 108            | 259                   | 367           | 6.0%          |
| UK - South East                                                                               | 317            | 781                   | 1 098         | 18.0%         |
| Outer London                                                                                  | 207            | 464                   | 671           | 11.0%         |
| Inner London                                                                                  | 106            | 277                   | 383           | 6.3%          |
| Midlands                                                                                      | 231            | 751                   | 982           | 16.2%         |
| Start - Irish operations                                                                      | 559            | 374                   | 933           | 15.4%         |
| <b>Spread of value of properties</b>                                                          | <b>100.0%</b>  | <b>100.0%</b>         | <b>100.0%</b> |               |
| >£500 000                                                                                     | 3.0%           | 1.3%                  | 1.8%          |               |
| >£250 000 - <£500 000                                                                         | 21.3%          | 11.7%                 | 14.5%         |               |
| >£200 000 - <£250 000                                                                         | 16.1%          | 11.6%                 | 13.0%         |               |
| >£150 000 - <£200 000                                                                         | 21.3%          | 20.0%                 | 20.4%         |               |
| >£100 000 - <£150 000                                                                         | 24.7%          | 29.0%                 | 27.7%         |               |
| >£70 000 - <£100 000                                                                          | 12.1%          | 19.8%                 | 17.5%         |               |
| >£50 000 - <£70 000                                                                           | 1.4%           | 5.4%                  | 4.2%          |               |
| <£50 000                                                                                      | 0.1%           | 1.2%                  | 0.9%          |               |
| <b>Weighted average current LTV of active portfolio (adjusted for house price deflation)*</b> | <b>73.7%</b>   | <b>68.1%</b>          | <b>69.9%</b>  |               |
| <b>LTV spread - % of book</b>                                                                 | <b>100.0%</b>  | <b>100.0%</b>         | <b>100.0%</b> |               |
| <= 65%                                                                                        | 29.3%          | 24.7%                 | 26.2%         |               |
| >65% - <70%                                                                                   | 7.3%           | 6.8%                  | 7.0%          |               |
| >70% - <75%                                                                                   | 8.7%           | 10.5%                 | 9.9%          |               |
| >75% - <80%                                                                                   | 9.9%           | 13.4%                 | 12.2%         |               |
| >80% - <85%                                                                                   | 15.8%          | 17.8%                 | 17.2%         |               |
| >85% - <90%                                                                                   | 27.2%          | 24.3%                 | 25.3%         |               |
| >90% - <95%                                                                                   | 1.1%           | 2.4%                  | 1.9%          |               |
| >95% - <100%                                                                                  | 0.2%           | 0.1%                  | 0.1%          |               |
| >100%                                                                                         | 0.5%           | -                     | 0.2%          |               |

\* Bad debt provision is based on a house price decline assumption of circa -35% i.e. 2008 -10% 2009 5% and an extra -20% haircut to the price to reflect forced sale discount

## Capital Markets

Specialist structuring and advisory business

### Key statistics (continued)

| As at 31 March 2008                                                    | Warehouse book | Securitised portfolio | Total | % of total |
|------------------------------------------------------------------------|----------------|-----------------------|-------|------------|
| % of accounts > 90 days in arrears                                     | 5.4%           | 13.9%                 | 11.3% |            |
| Number of accounts > 90 in arrears                                     | 1 041          | 6 303                 | 7 344 |            |
| Total capital lent in arrears (£'million)                              | 269            | 1 267                 | 1 536 | 100.0%     |
| Arrears 0 - 60 days                                                    | 98             | 377                   | 475   | 30.9%      |
| Arrears 61 - 90 days                                                   | 50             | 215                   | 265   | 17.3%      |
| Arrears >90 days                                                       | 113            | 551                   | 664   | 43.2%      |
| Possession                                                             | 8              | 124                   | 132   | 8.6%       |
| Debt to income ratio of clients                                        | 23.4%          | 26.0%                 | 25.1% |            |
| Investec investment/exposure to assets reflected above (£'million)     | 162            | 172                   | 334   |            |
| On balance sheet provision (£'million)                                 | (34)           | (70)                  | (104) |            |
| Investec net investment/exposure to assets reflected above (£'million) | 128            | 102                   | 230   |            |
| Additional warehouse lines provided to Kensington (£'million)          | -              | -                     | 238   |            |

## Developments

### UK and Europe

- The Project Finance team continues to be a leader in the UK PFI advisory business, and the new office in Canada, set up to service the North American PFI market, is performing well
- The Acquisition Finance book is under pressure as a result of deteriorating economic conditions, and is being monitored closely
- The Asset Finance business is now ranked in the top three in the small ticket leasing market
- We are considered one of the top ten European banks in aircraft finance
- The trading desks showed an improved performance benefiting from market volatility, the introduction of new products and increased staff in certain areas. The Corporate Foreign Exchange and Structured Equity desks are now fully operational
- The Structured Equity retail distribution platforms have been established and we have recently launched eight in the UK market. The desk has won numerous awards including Income Product of the Year 2008 and Product Provider of the Year 2009 at the Professional Adviser Structured Products Provider Awards and best Online Branding Campaign at the Online Finance Awards 2008
- The Treasury Products and distribution desk has been established to actively market structured solutions, foreign exchange and interest rates to the corporate market
- The uncertain credit markets continue to impact activity in the Principal Finance division

### Southern Africa

- Deal activity in our lending areas has been good during the year. This has been the case in most of the specialist asset classes and with increases experienced in average margins
- The division has seen a marginal increase in impairments compared to the prior year
- The division continues to hold a number of equity related positions associated with our lending activities, the revaluation of our positions has negatively impacted on our results for the year
- Profitability on the Foreign Exchange and Interest Rate trading desks has been excellent with historic levels of volatility offering good trading and client flow opportunities. Customer deal flow in Equity Derivatives was reduced during the year as a result of severe market volatility and a declining equity market
- The Foreign Exchange trading desk has captured significant market share in the listed currency futures market
- Debt Capital Markets concluded three successful securitisations during the year although the outlook for this area of business is negative



# Capital Markets

Specialist structuring and advisory business

## Australia

- The Investec Global Aircraft Fund (IGAF) is now fully invested. The fund has a portfolio of seven aircraft with a value of AUD669 million. A second capital raising for the fund is currently underway.
- The strategic intention of sourcing and developing clean energy assets resulted in the realisation of a profit share on the sale of two wind farm assets. The pipeline remains good.
- We successfully issued an institutional government guaranteed medium term note in February 2009 in which we raised AUD600 million (AUD400 million of three year funding and AUD200 million of five year funding).
- The liquidity position remains very strong.
- The marketing strategy for the Commodities and Resource Finance business continues to be cautious in light of sustained commodity price and capital market volatility. However, an immediate business goal is to increase exposure to mid tier resource companies with resource assets in production, where the current risk return profiles are very attractive.

## Outlook, risks and opportunities

- We continue to be a focused business targeting markets where we can be distinctive and competitive focusing on our core value drivers.
- We remain committed to building a sustainable scale business with diversified revenue streams.
- In the UK and South Africa we will continue to strive for depth and greater penetration. In Australia we continue to look for opportunities to broaden our franchise.
- The current negative cycle is a time to shape the business for the future and to position ourselves for a return to a more normal market.
- This stage of the cycle is likely to see a rise in corporate defaults and losses in the acquisition finance portfolio. Additional effort and resources will be spent on asset management to ensure our portfolios perform optimally in poor economic conditions.
- Looking at the environment in our core geographies
  - South Africa remains the least affected although the impact of the global recession is now starting to be felt. We are generally well positioned in this market with a reasonably robust credit portfolio. Conditions and volumes remain good for the trading businesses. The effects of the recession may lead to reduced activity in the structuring and lending businesses.
  - In the UK and Australia the environment remains weak and it is too early to say if the green shoots represent any sustained change. We expect impairments to continue, however, trading conditions remain favourable and the dislocated markets continue to present opportunities. Overall we continue to be reasonably well positioned to weather the storm in conditions that are similar to last year.
- The environment has changed but so too has the competitive landscape. A large amount of capacity has been removed from the market and the number of players in our core geographies has reduced substantially. This plays to our strengths of being a specialist and bespoke service provider. In the short-term we expect conditions to remain challenging, however, we believe that in the medium term this is an excellent opportunity to grow market share and deepen our franchise.

# Investment Banking

Integrated business focused on local client delivery with international access

## Scope of activities

We engage in a range of investment banking activities and position ourselves 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.

|               |                                                                                                                                                                               |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Activities    | <ul style="list-style-type: none"><li>- Corporate finance</li><li>- Institutional research, sales and trading</li><li>- Direct investments</li><li>- Private equity</li></ul> |
| Target market | <ul style="list-style-type: none"><li>- Listed and unlisted companies</li><li>- Fund managers</li><li>- Government</li><li>- Parastatals</li></ul>                            |

## Strategic focus

**Mission** To be an integrated entrepreneurial investment banking business

Our primary objectives are to secure our current positionings and to continue building our operations, with a strong focus on generating a higher level of core sustainable earnings.

### UK and Europe

Our strategic objectives are to

- Become the pre-eminent full service mid-market UK investment bank
- Act as trusted advisor to our institutional, corporate and private equity clients
- Leverage our highly rated product and service offering internationally, specifically in the US and Europe
- Increase the use of capital to reinforce our mid market offering

### Southern Africa

#### Corporate Finance

Our strategy is to

- Take advantage of our leading position in the South African market
- Identify appropriate investment banking transactions as well as mergers and acquisitions and restructuring advisory opportunities
- Improve cross border activity

#### Institutional Research, Sales and Trading

Our strategic objectives are to

- Be the top rated South African specialist broker as determined by our target market
- Ensure comprehensive research coverage to underpin our South African distinctiveness
- Fully leverage our business platforms
  - Distribution of our research product into Europe and the United States
  - Electronic execution - capture market share through innovation and tailor made solutions
  - Prime Broking - entrench our position as a leading player in the South African market
- Continue focusing on our people and their performance, cost control and internal efficiencies

#### Principal Investments (Direct Investments and Private Equity)

Our strategy is to

- Focus on quality, not quantity, of investments in selected industries
- Identify and pursue transactions with the potential for significant value unlocking in the short to medium term
- Target platform investments that can be grown significantly through the implementation of an agreed strategy operating in industries that will benefit strongly from economic growth in South Africa
- Co-invest with experienced executives and non-executives with a proven track record, strategic investors and empowerment partnerships built on trust
- Concentrate on opportunities with black economic empowerment platform investee companies



# Investment Banking

Integrated business focused on local client delivery with international access

## Australia

Our objectives are to

- Build an integrated business model of advisory, private equity and direct investments to maximise market opportunities
- Continue to focus on global collaboration to enhance cross-border activity
- Maintain a disciplined approach to private equity and direct investment activities

## Management structure

### Joint Global Heads of Investment Banking

Bradley Fried  
Andy Leith

### UK and Europe

#### Regional Head Investment Banking and Securities

Bradley Fried  
David Cume  
Craig Tate  
Michael Cullen  
Ray Milner

#### Ireland Finance

### South Africa

#### Regional Head Corporate Finance

Andy Leith  
Kevin Kerr  
Hugo Steyn

#### Institutional Research, Sales and Trading

#### Principal Investments Finance Corporate Finance and Principal Investments

Kevin Brady  
Thomas Pnns  
Caroline Thomson  
Robert Slater

#### Operations Institutional Research, Sales and Trading

Joubert Hay

### Australia

#### Corporate Advisory Principal Investments

Ben Smith  
John Murphy

### Hong Kong

#### Regional Head

Richard Forsee

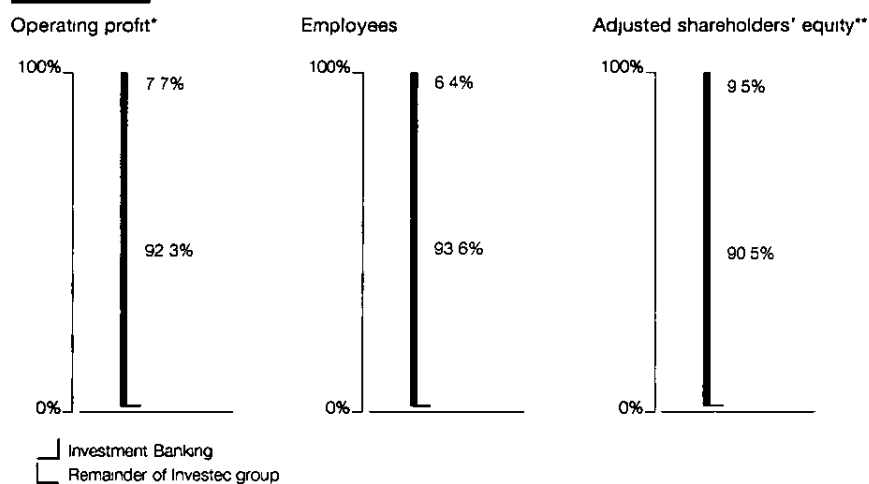
Divisional review



## Investment Banking

Integrated business focused on local client delivery with international access

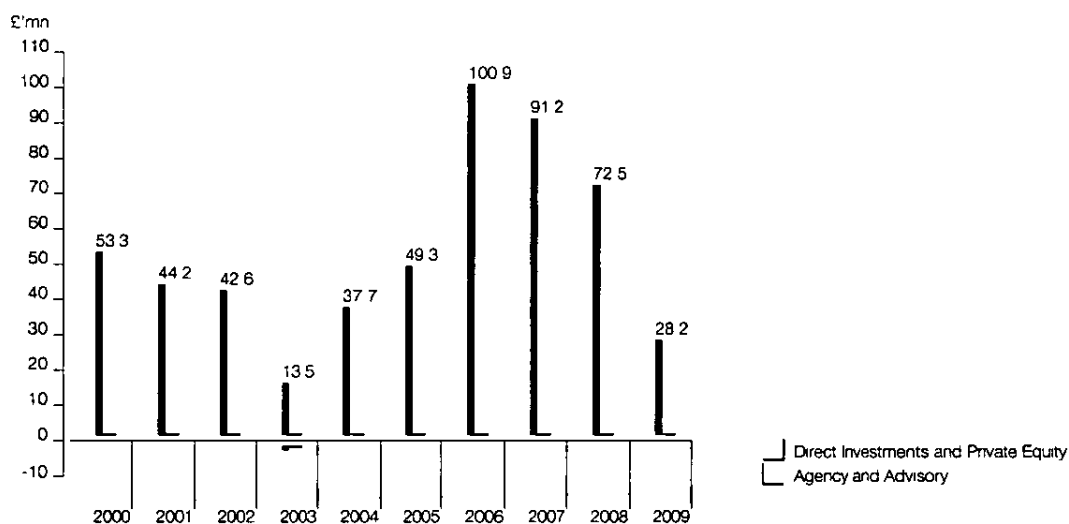
### Contribution analysis



\* Before goodwill, non-operating items, taxation and after minorities (excluding Group Services and Other Activities)

\*\* As calculated on page 28

### Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts for 2008 and 2009 are shown before goodwill, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.

# Investment Banking

Integrated business focused on local client delivery with international access

## Overview and financial analysis

- Operating profit decreased by 61.0% to £28.2 million, contributing 7.7% to group profit reflecting a mixed performance across geographies and business activity

| £'000                                                                                | 31 March 2009 | 31 March 2008 | Variance | % change  |
|--------------------------------------------------------------------------------------|---------------|---------------|----------|-----------|
| Net interest income                                                                  | 2 612         | (8 463)       | 11 075   | >100.0%   |
| Net fee and commission income                                                        | 69 041        | 88 603        | (19 562) | (22.1%)   |
| Principal transactions                                                               | 91 159        | 79 583        | 11 576   | 14.5%     |
| Other operating income and operating income from associates                          | (24 526)      | 45 016        | (69 542) | (>100.0%) |
| Total operating income                                                               | 138 286       | 204 739       | (66 453) | (32.5%)   |
| Impairment losses on loans and advances                                              | (3 858)       | (1 356)       | (2 502)  | >100.0%   |
| Admin expenses and depreciation                                                      | (128 493)     | (126 053)     | (2 440)  | 1.9%      |
| Operating profit before goodwill, non-operating items and taxation                   | 5 935         | 77 330        | (71 395) | (92.3%)   |
| Earnings attributable to minority interests                                          | 22 231        | (4 804)       | 27 035   | >100.0%   |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 28 166        | 72 526        | (44 360) | (61.2%)   |
| Corporate Finance                                                                    | 5 630         | 14 277        | (8 647)  | (60.6%)   |
| Institutional Research, Sales and Trading                                            | 10 231        | 12 422        | (2 191)  | (17.6%)   |
| Direct Investments                                                                   | (5 735)       | 15 990        | (21 725) | (>100.0%) |
| Private Equity                                                                       | 18 040        | 29 837        | (11 797) | (39.5%)   |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 28 166        | 72 526        | (44 360) | (61.2%)   |
| UK and Europe                                                                        | (30 810)      | 3 995         | (34 805) | (>100.0%) |
| Southern Africa                                                                      | 66 065        | 64 775        | 1 290    | 2.0%      |
| Australia                                                                            | (7 089)       | 3 756         | (10 845) | (>100.0%) |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 28 166        | 72 526        | (44 360) | (61.2%)   |
| Adjusted shareholders' equity*                                                       | 190 655       | 175 913       | 14 742   | 8.4%      |
| ROE (pre-taxation)*                                                                  | 13.9%         | 34.3%         |          |           |
| Cost to income ratio                                                                 | 92.8%         | 61.6%         |          |           |
| Cost to income ratio excluding investments that are consolidated                     | 63.9%         | 53.9%         |          |           |
| Operating profit per employee (£'000)*                                               | 75.3          | 203.1         | (127.8)  | (62.9%)   |

\* As calculated on pages 28 and 31

## A further analysis of operating profit

| 31 March 2009<br>£'000                                        | UK and Europe | Southern Africa | Australia | Total group |
|---------------------------------------------------------------|---------------|-----------------|-----------|-------------|
| Corporate Finance                                             | 2 219         | 5 522           | (2 111)   | 5 630       |
| Institutional Research, Sales and Trading                     | 4 719         | 5 512           | -         | 10 231      |
| Principal Investments (Direct Investments and Private Equity) | (20 950)      | 55 031          | (3 454)   | 30 627      |
|                                                               | (14 012)      | 66 065          | (5 565)   | 46 488      |
| Consolidated investments                                      | (16 798)      | -               | (1 524)   | (18 322)    |
| Total                                                         | (30 810)      | 66 065          | (7 089)   | 28 166      |
| 31 March 2008<br>£'000                                        | UK and Europe | Southern Africa | Australia | Total group |
| Corporate Finance                                             | 4 837         | 7 807           | 1 633     | 14 277      |
| Institutional Research, Sales and Trading                     | 4 459         | 7 963           | -         | 12 422      |
| Principal Investments (Direct Investments and Private Equity) | 9             | 49 005          | 2 187     | 51 201      |
|                                                               | 9 305         | 64 775          | 3 820     | 77 900      |
| Consolidated investments                                      | (5 310)       | -               | (64)      | (5 374)     |
| Total                                                         | 3 995         | 64 775          | 3 756     | 72 526      |

## Investment Banking

Integrated business focused on local client delivery with international access

### Corporate Finance and Institutional Research, Sales and Trading

| £'000                                                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|--------------------------------------------------------------------------------------|------------------|------------------|----------|-------------|
| Net interest income                                                                  | 2 733            | 817              | 1 916    | >100 0%     |
| Net fee and commission income                                                        | 70 076           | 84 174           | (14 098) | (16 7%)     |
| Principal transactions                                                               | 20 452           | 15 875           | 4 577    | 28 8%       |
| Impairment losses on loans and advances                                              | -                | (4)              | 4        | 100 0%      |
| Admin expenses and depreciation                                                      | (77 400)         | (74 163)         | (3 237)  | 4 4%        |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 15 861           | 26 699           | (10 838) | (40 6%)     |

The variance in operating profit over the year can be explained as follows

- Corporate activity and fees earned have reduced across all three geographies
- The Institutional Research, Sales and Trading operations in South Africa were negatively impacted by difficult market conditions. This offset a strong performance from the division's Prime Broking operation. The UK division's trading operations performed well.

### Principal Investments

| £'000                                                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|--------------------------------------------------------------------------------------|------------------|------------------|----------|-------------|
| Net interest income                                                                  | (122)            | (9 280)          | 9 158    | >100 0%     |
| Net fee and commission income                                                        | (1 036)          | 4 429            | (5 465)  | (>100 0%)   |
| Principal transactions                                                               | 70 708           | 63 708           | 7 000    | 11 0%       |
| Other operating income and operating income from associates                          | (24 526)         | 45 016           | (69 542) | (>100 0%)   |
| Impairment losses on loans and advances                                              | (3 858)          | (1 352)          | (2 506)  | >100 0%     |
| Admin expenses and depreciation                                                      | (51 092)         | (51 890)         | 798      | (1 5%)      |
| Operating profit/(loss) before goodwill, non-operating items and taxation            | (9 926)          | 50 631           | (60 557) | (>100 0%)   |
| Earnings attributable to minority interests                                          | 22 231           | (4 804)          | 27 035   | >100 0%     |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 12 305           | 45 827           | (33 522) | (73 1%)     |

The variance in operating profit over the year can be explained as follows

- Principal transaction income represents the year to date cumulative increase/decrease in the value of the division's direct investments and private equity portfolios, the profit/loss on realisation of these investments and dividends and other income received (further analysis provided below)
- All other income categories largely relate to our investment in two private equity investments in which we hold 68 3% and 73 1%, respectively. The results of these investments have been consolidated. These investments generated a net loss before taxation of £18 3 million.

#### Value of trading investments on balance sheet at 31 March 2009

| £'million                                | Listed | Unlisted | Advances | Total |
|------------------------------------------|--------|----------|----------|-------|
| UK Private Equity and Direct Investments | 11     | 23       | -        | 34    |
| SA Direct Investments                    | 24     | 95       | 20       | 139   |
| SA Private Equity                        | -      | 165      | 21       | 186   |
| Australia                                | 1      | 28       | -        | 29    |
| Hong Kong Direct Investments             | 1      | 37       | -        | 38    |
|                                          | 37     | 348      | 41       | 426   |

#### Note

Value of consolidated investments of £48 million not included in table above

## Investment Banking

Integrated business focused on local client delivery with international access

Value of trading investments on balance sheet at 31 March 2008

| £'million                                | Listed | Unlisted | Advances | Total |
|------------------------------------------|--------|----------|----------|-------|
| UK Private Equity and Direct Investments | 26     | 25       | -        | 51    |
| SA Direct Investments                    | 12     | 42       | 12       | 66    |
| SA Private Equity                        | -      | 106      | 16       | 122   |
| Australia                                | 1      | 10       | -        | 11    |
| Hong Kong Direct Investments             | 1      | 13       | -        | 14    |
|                                          | 40     | 196      | 28       | 264   |

### Note

Value of consolidated investments of £65 million not included in table above

Analysis of operating profit for the year to 31 March 2009

| £'million                                | Realised | Un-realised | Dividends | Funding costs | Principal trans-actions total | Interest and other | Net income | Ex-penses | Net profit | Minorities | Opera-ting profit |
|------------------------------------------|----------|-------------|-----------|---------------|-------------------------------|--------------------|------------|-----------|------------|------------|-------------------|
| UK Private Equity and Direct Investments | -        | (3.1)       | 1.4       | -             | (1.7)                         | (25.8)             | (27.5)     | (31.3)    | (58.8)     | 19.8       | (39.0)            |
| SA Direct Investments                    | 9.5      | 8.8         | 0.2       | (10.1)        | 8.4                           | (2.6)              | 5.8        | (1.4)     | 4.4        | -          | 4.4               |
| SA Private Equity                        | 3.5      | 36.0        | 26.3      | (2.5)         | 63.3                          | 1.5                | 64.8       | (14.1)    | 50.7       | -          | 50.7              |
| Australia                                | -        | (2.9)       | -         | -             | (2.9)                         | (2.0)              | (4.9)      | (2.5)     | (7.4)      | 2.4        | (5.0)             |
| Hong Kong Direct Investments             | (1.9)    | 5.5         | -         | -             | 3.6                           | (0.6)              | 3.0        | (1.8)     | 1.2        | -          | 1.2               |
| Total                                    | 11.1     | 44.3        | 27.9      | (12.6)        | 70.7                          | (29.5)             | 41.2       | (51.1)    | (9.9)      | 22.2       | 12.3              |

Analysis of operating profit for the year to 31 March 2008

| £'million                                | Realised | Un-realised | Dividends | Funding costs | Principal trans-actions total | Interest and other | Net income | Ex-penses | Net profit | Minorities | Opera-ting profit |
|------------------------------------------|----------|-------------|-----------|---------------|-------------------------------|--------------------|------------|-----------|------------|------------|-------------------|
| UK Private Equity and Direct Investments | 0.1      | 4.1         | 1.6       | (2.3)         | 3.5                           | 34.6               | 38.1       | (37.2)    | 0.9        | (3.6)      | (2.7)             |
| SA Direct Investments                    | 15.4     | 12.2        | 0.4       | (6.6)         | 21.4                          | (0.7)              | 20.7       | (3.4)     | 17.3       | -          | 17.3              |
| SA Private Equity                        | 1.0      | 29.0        | 11.1      | (2.9)         | 38.2                          | 1.0                | 39.2       | (7.5)     | 31.7       | -          | 31.7              |
| Australia                                | 1.6      | -           | -         | -             | 1.6                           | 4.0                | 5.6        | (2.3)     | 3.3        | (1.2)      | 2.1               |
| Hong Kong Direct Investments             | 0.6      | (1.6)       | -         | -             | (1.0)                         | (0.1)              | (1.1)      | (1.5)     | (2.6)      | -          | (2.6)             |
| Total                                    | 18.7     | 43.7        | 13.1      | (11.8)        | 63.7                          | 38.8               | 102.5      | (51.9)    | 50.6       | (4.8)      | 45.8              |

## Developments

### Corporate Finance

#### UK and Europe

- The difficult market conditions led to fewer corporate transactions, especially in the second half of the year. There were no IPOs and limited fund-raising.
- Most notable was a £290 million joint fund-raising for Melrose in connection with their purchase of FKI Plc.
- We completed 20 M&A transactions with a value of £3.5 billion (2008: 26 transactions with a value of £2.3 billion).
- We completed 13 fundraisings during the period raising in aggregate £599 million (2008: 18 fund-raising raising £299 million).
- We continue to build the quality and size of the corporate client list, gaining 25 new brokeships during the year. At year end we had 94 quoted clients.



## Investment Banking

Integrated business focused on local client delivery with international access

### Southern Africa

- We maintained our strong positioning with a lower level of activity
- Our main focus was on M&A, restructuring and black economic empowerment transactions
- We retained all our major clients and gained several new mandates during the period
- The total value of Corporate Finance transactions decreased to R23.4 billion (2008: R11.3 billion) during the period and the number of transactions decreased to 60 (2008: 109)
- Sponsor broker deals completed during the period decreased to 96 (2008: 165) with the value also decreasing to R5.1 billion (2008: R14.9 billion)
- The Corporate Finance division was ranked first in volume of listed M&A transactions and second in general corporate finance by volume in Dealmakers Magazine Survey for Corporate Finance (2008 calendar year). This is the fifth year out of six that we have been awarded the M&A Gold Medal.
- The Sponsor division was ranked first in volume of M&A transactions and in general corporate finance in the Dealmakers Magazine Survey for Sponsors (2008 calendar year). This is the sixth year running that we have won this M&A award.
- The Corporate Finance and Sponsor divisions were also both ranked first in volume of M&A transactions in the Ernst & Young review for M&A (2008 calendar year).

### Australia

- There is increasing awareness and recognition of the Investec brand within the Australian market and we have continued to increase the quality and size of our client list.
- During the period we strengthened our team in Sydney and Brisbane.
- We have continued to expand our sector specialisation, with our Natural Resources team showing the strongest pipeline.
- Despite the challenging market conditions, we are currently active on a number of mandates.

## Institutional Research, Sales and Trading

### UK and Europe

- Volatile and difficult market conditions have restricted secondary commission growth.
- Trading revenues have showed considerable improvement.
- We have strengthened our UK research team over the year with the addition of a number of experienced analysts.
- We continue to expand the capacity of our New York sales team.
- We have also seen market share gains in large cap trading.
- Market share gains continue across our trading platform.

### Southern Africa

- A decline in income from our core equity broking operation was cushioned by a strong performance from the prime broking business.
- The remaining gaps in our research team have been filled and we are well on track to meet our coverage objective.
- The prime broking operation signed up a number of new clients over the period and initiated a system upgrade, further entrenching itself as one of the leading players in the industry.
- Activity through the electronic execution platform recorded healthy growth and a number of new and updated algorithms were released to our client base.

## Principal Investments

### UK, Europe and Hong Kong

- Performance has been impacted by volatile market conditions.

### Southern Africa

- The Direct Investments portfolio increased to R1.816 billion at 31 March 2009 (March 2008: R1.051 billion). The increase in value was driven by a good performance from the underlying investments and a few selective new investments.
- The Private Equity portfolio was R2.525 billion at 31 March 2009 (March 2008: R1.976 billion). We continued to expand the capacity of our private equity investments through bolt-on acquisitions and capital expenditure. During the year under review we have had significant realisation through dividends and a few disposals.

### Australia

- The total size of the Private Equity funds is AUD460 million.
- Performance has been impacted by market conditions.



## Investment Banking

Integrated business focused on local client delivery with international access

## Outlook, risks and uncertainties

### Corporate Finance

- While market conditions remain uncertain and problematic for transactions, we are well positioned to take advantage of the changing competitive landscape. The increase in our number of corporate clients in the UK, especially in the FTSE 250, is testimony to this.
- Black economic empowerment, restructuring and M&A transactions are expected to continue to drive activity at a reasonable level in South Africa.
- In Australia M&A mandates are scarcer and transactions are taking longer to complete. However, the strong relationships established by the corporate advisory team will provide a solid platform for future growth opportunities when market conditions improve.

### Institutional Research, Sales and Trading

- The UK business has, through ongoing investment, substantially strengthened its positioning across sales, trading and research. The market conditions however remain difficult.
- The outlook for the South African business remains challenging with the sharp decline in the value of trading activity experienced on the JSE unlikely to reverse in the near term. Nevertheless, our continued investment in the business, broad revenue base, market share gains and tight cost control, position us well for the next economic upswing.

### Principal Investments

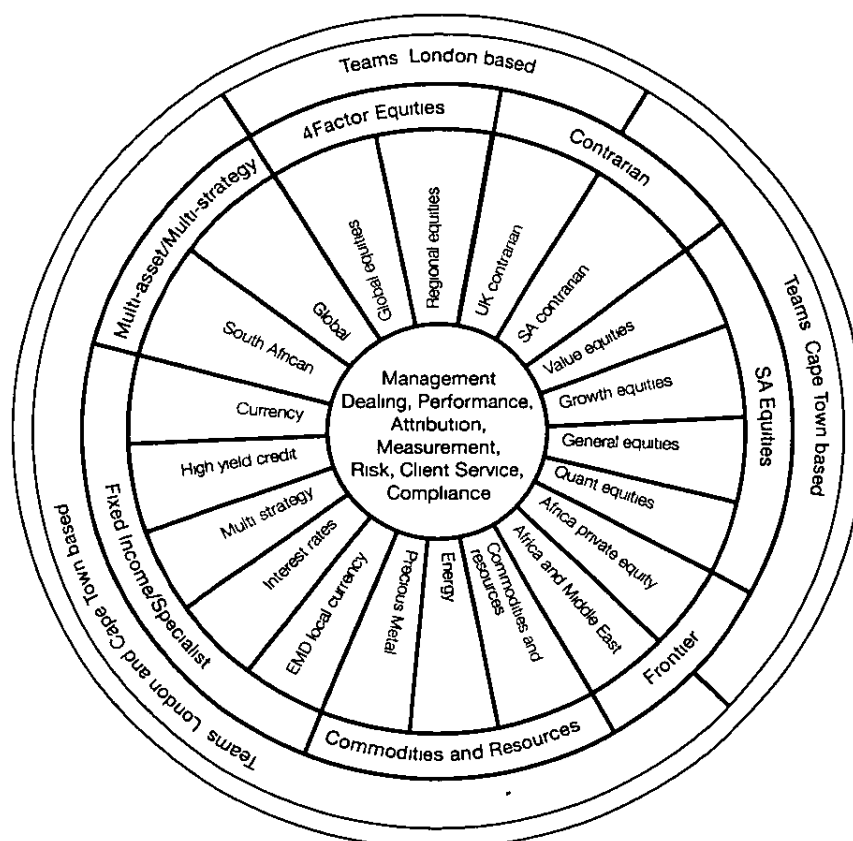
- We remain active in seeking direct investment opportunities while continuing to unlock further value from the portfolio and the building of black economic empowerment platforms in South Africa.
- The majority of the companies in our Private Equity portfolio in South Africa are trading in line with expectations in very difficult market conditions and the overall outlook remains positive.
- The Australian business continues to add value to existing investments and is well placed to take advantage of new investment opportunities.

## Asset Management

Investment specialist focused on performance and client needs

### Scope of activities

- We offer a comprehensive range of portfolio management services and products to institutional and retail fund clients. Our range of investment capabilities is shown below



- We sell our investment capabilities in the following regions: UK, Africa, Europe, Australia, the Americas, Asia and cross border
- We have a broad client range including sovereign wealth funds, central banks, pension funds, banks, private banks, family offices, independent financial advisors and individual investors

### Strategic focus

We are totally focused on managing our clients' money to the highest possible standard

### Management structure

Global Head of Asset Management

Chief Operating Officer  
Business Development Director  
Co-Chief Investment Officer  
Co-Chief Investment Officer

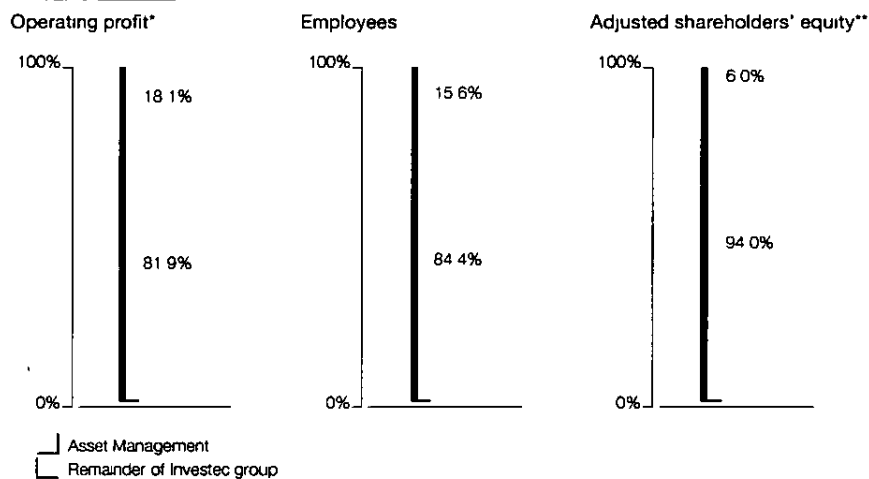
Hendrik du Toit

Kim McFarland  
John Green  
Domenico Ferrini  
John McNab

## Asset Management

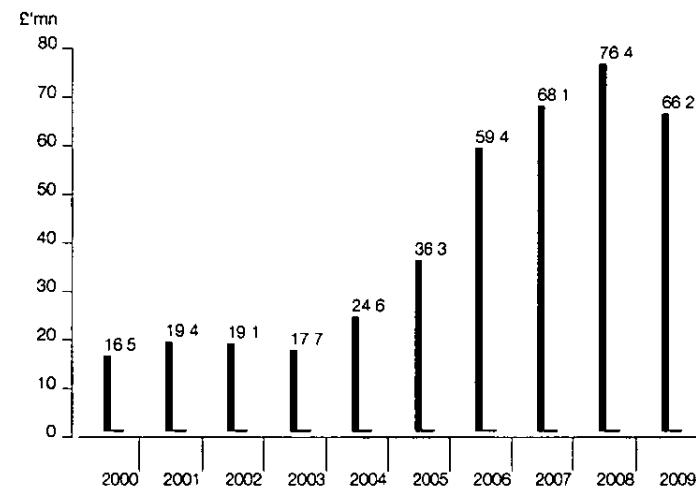
Investment specialist focused on performance and client needs

### Contribution analysis



- \* Before goodwill, non-operating items, taxation and after minorities (excluding Group Services and Other Activities)  
 \*\* As calculated on page 28

### Operating profit<sup>^</sup> - track record



- <sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts for 2008 and 2009 are shown before goodwill, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.



## Asset Management

Investment specialist focused on performance and client needs

### Overview and financial analysis

- Operating profit decreased by 13.4% to £66.2 million, contributing 18.1% to group profit
- The division was impacted by a tougher mutual fund environment and weak equity markets. The division did benefit from good investment performance and solid net inflows, notably from the institutional channel
- Assets under management have remained flat at £28.8 billion since 31 March 2008

| £'000                                                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|--------------------------------------------------------------------------------------|------------------|------------------|----------|-------------|
| Net interest income                                                                  | 7 821            | 7 558            | 263      | 3.5%        |
| Net fee and commission income                                                        | 197 732          | 207 483          | (9 751)  | (4.7%)      |
| Other income                                                                         | (5 039)          | 3 659            | (8 698)  | (>100.0%)   |
| Total operating income                                                               | 200 514          | 218 700          | (18 186) | (8.3%)      |
| Admin expenses and depreciation                                                      | (134 047)        | (141 879)        | 7 832    | (5.5%)      |
| Operating profit before goodwill, non-operating items and taxation                   | 66 467           | 76 821           | (10 354) | (13.5%)     |
| Earnings attributable to minority interests                                          | (281)            | (410)            | 129      | (31.5%)     |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 66 186           | 76 411           | (10 225) | (13.4%)     |
| UK                                                                                   | 17 149           | 24 940           | (7 791)  | (31.2%)     |
| Southern Africa                                                                      | 49 037           | 51 471           | (2 434)  | (4.7%)      |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 66 186           | 76 411           | (10 225) | (13.4%)     |
| Adjusted shareholders' equity*                                                       | 120 421          | 116 459          | 3 962    | (3.4%)      |
| ROE (pre-taxation)*                                                                  | 41.4%            | 55.0%            |          |             |
| Cost to income ratio                                                                 | 66.9%            | 64.9%            |          |             |
| Operating profit per employee (£'000)*                                               | 67.8             | 78.3             | (10.5)   | (13.4%)     |

\* As calculated on pages 28 and 31

The variance in operating profit over the year can be explained as follows

#### United Kingdom and international

- Operating profit decline of 31.2% to £17.1 million
- The reduction in profitability of the UK and international operations was underpinned by reduced assets under management following the negative market movements during the year and net outflows on the retail side of the business
- Assets under management decreased by 5.2% to £13.1 billion. The institutional book showed strong growth over the period with net inflows of approximately £1.6 billion

#### Southern Africa

- Operating profit of the Southern Africa operations in Rands of R717.0 million is 2.9% lower than the prior period of R738.1 million
- Investment performance remained good and as a result performance fee revenue increased significantly to R354.5 million (2008: R252.7 million)
- Assets under management in Rands decreased from R241.2 billion to R213.5 billion. The retail side of the business experienced net inflows of R1.9 billion for the period and there were R5.1 billion of institutional outflows

#### Costs

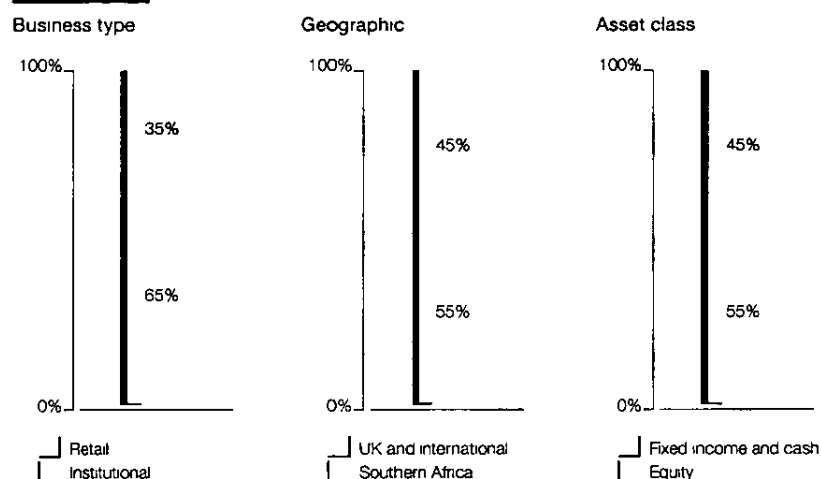
- The decrease in expenses is largely due to a decrease in variable remuneration in line with the decrease in profitability and the effect of tighter cost control

Divisional review

# Asset Management

Investment specialist focused on performance and client needs

## Assets under management\*



## Movement in assets under management\*

|                                | Total<br>£'million | UK and<br>international<br>£'million | Southern Africa |           |
|--------------------------------|--------------------|--------------------------------------|-----------------|-----------|
|                                |                    |                                      | £'million       | R'million |
| 31 March 2008                  | 28 751             | 13 834                               | 14 917          | 241 189   |
| New clients/funds              | 2 260              | 1 729                                | 531             | 2 685     |
| Existing client/fund net flows | (1 509)            | (751)                                | (758)           | (5 885)   |
| Net flows                      | 751                | 978                                  | (227)           | (3 200)   |
| Market/FX movement             | (667)              | (1 704)                              | 1 037           | (24 480)  |
| 31 March 2009                  | 28 835             | 13 108                               | 15 727          | 213 509   |
| Institutional                  | 18 752             | 7 992                                | 10 760          | 146 069   |
| Retail                         | 10 083             | 5 116                                | 4 967           | 67 440    |

| £'million                      | Total   | Institutional | Retail |
|--------------------------------|---------|---------------|--------|
| 31 March 2008                  | 28 751  | 17 698        | 11 053 |
| New clients/funds              | 2 260   | 2 170         | 90     |
| Existing client/fund net flows | (1 509) | (958)         | (551)  |
| Net flows                      | 751     | 1 212         | (461)  |
| Market/FX movement             | (667)   | (158)         | (509)  |
| 31 March 2009                  | 28 835  | 18 752        | 10 083 |
| UK and international           | 13 108  | 7 992         | 5 116  |
| Southern Africa                | 15 727  | 10 760        | 4 967  |

## Sales (gross inflows)

| £'million     | 2009   | 2008   | £'million               | 2009   | 2008   |
|---------------|--------|--------|-------------------------|--------|--------|
| Institutional | 9 615  | 3 570  | Fixed interest and cash | 8 511  | 4 097  |
| Retail        | 6 261  | 7 052  | Equity                  | 6 763  | 5 430  |
|               |        |        | Balanced                | 602    | 1 095  |
|               | 15 876 | 10 622 |                         | 15 876 | 10 622 |

\* Managed basis

# Asset Management

Investment specialist focused on performance and client needs

## Developments

- We continue to develop our portfolio of investment capabilities
- Our wider distribution footprint is facilitating sales momentum and outside of Southern Africa, there was £978 million of net flows for the financial year. The institutional performance was gratifying with £1.6 billion of net flows outside Southern Africa.
- With our breadth of investment products and good performance across the range, we are receiving good traction
  - 65% by value and 67% by number of our mutual fund based outside of Southern Africa are in the first or second quartile over three years
  - 77% by value and 71% by number of our mutual funds based in Southern Africa are in the first or second quartile
  - 82% of institutional propositions outperformed their benchmarks since inception outside of Southern Africa and in Southern Africa, 100% of institutional propositions outperformed their benchmarks since GIPS inception

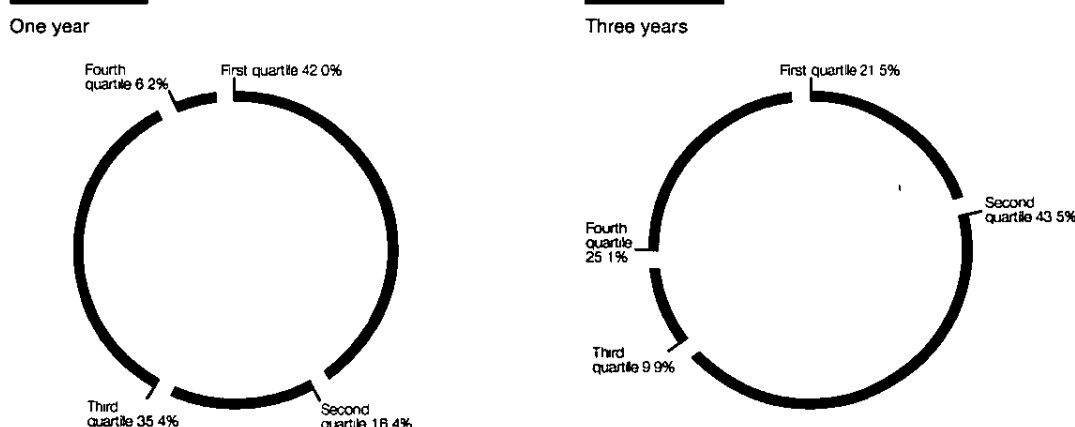
## Investec Asset Management in the UK mutual fund industry

| £'million                            | 2009        | 2008        | 2007        |
|--------------------------------------|-------------|-------------|-------------|
| IAM assets under management          | 3 736       | 4 322       | 4 230       |
| Total industry size                  | 347 897     | 432 672     | 447 888     |
| Market share                         | 1.1%        | 1.0%        | 0.9%        |
| Size ranking in industry             | 30th of 110 | 33rd of 109 | 33rd of 113 |
| Industry gross retail sales          | 63 577      | 66 060      | 59 973      |
| IAM % of industry gross retail sales | 1.6%        | 2.9%        | 2.2%        |

Sourced from data from the Investment Management Association  
Statistics as at 31 March, sales for the 12 month period

## UK and global retail investment performance

By value of funds

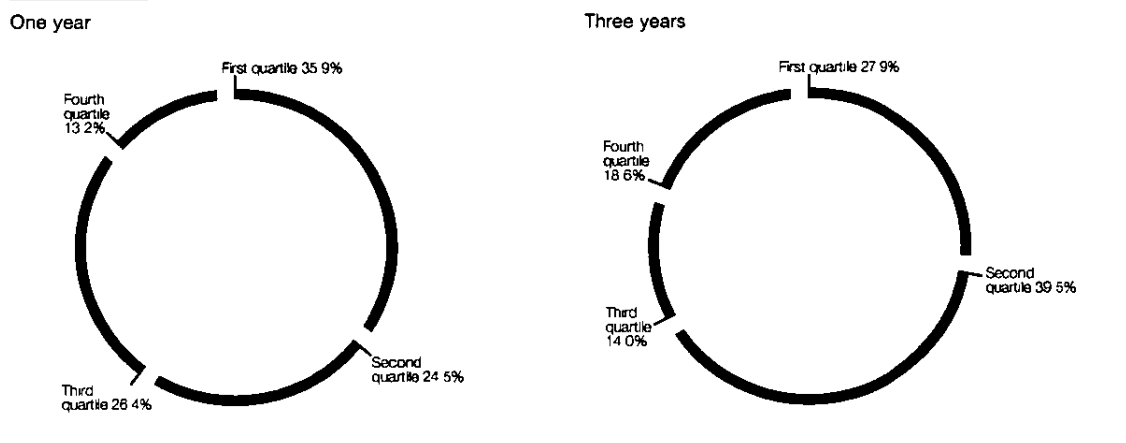


Calculated from Lipper data  
Excludes cash, cash plus and liquidity funds

## Asset Management

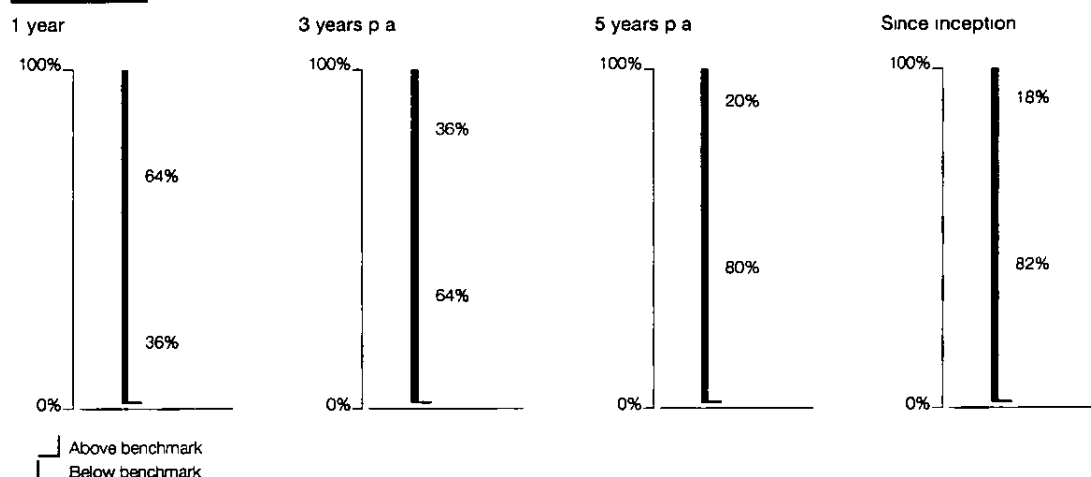
Investment specialist focused on performance and client needs

By number of funds



Calculated from Lipper data  
Excludes cash, cash plus and liquidity funds

## UK and global institutional investment performance



Calculated from Standard and Poors' Micropal WM Spectrum, Lipper Hindsight data

## Investec Asset Management in the South African unit trust industry

| R'million                     | 2009      | 2008      | 2007      |
|-------------------------------|-----------|-----------|-----------|
| IAM assets under management   | 59 646    | 63 809    | 55 910    |
| Total industry size           | 663 675   | 658 073   | 596 072   |
| Market share                  | 9.0%      | 9.7%      | 9.4%      |
| Size ranking in industry      | 5th of 39 | 4th of 39 | 4th of 34 |
| Industry gross sales          | 455 059   | 552 118   | 480 032   |
| IAM % of gross industry sales | 7.7%      | 7.3%      | 8.7%      |

Sourced from data from the Association of Collective Investments, includes money market, non-domestic fund of funds and institutional Statistics as at 31 March, sales for the 12 month period except for 2009 where statistics are reflected at 31 December 2008 and sales are for the nine month period to 31 December 2008 due to abnormal distributions in quarter 1 of 2009 (the unbundling of BAT from Remgro)



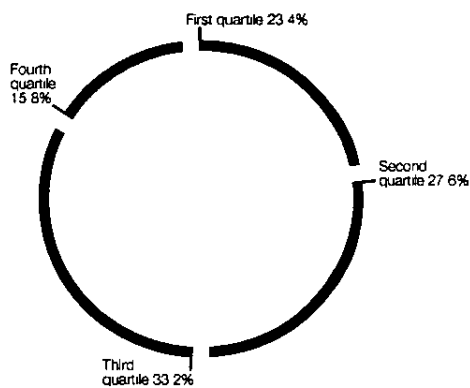
# Asset Management

Investment specialist focused on performance and client needs

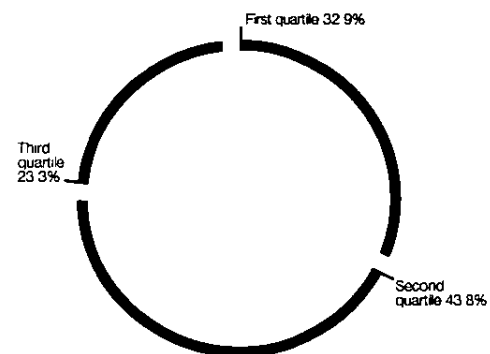
## South African mutual fund investment performance

By value of funds

One year

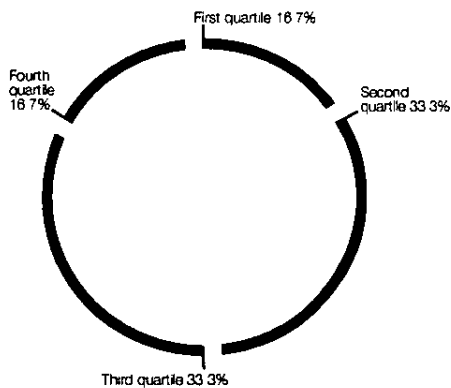


Three years

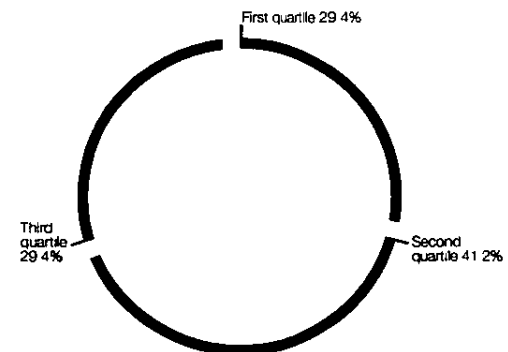


By number of funds

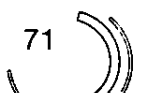
One year



Three years



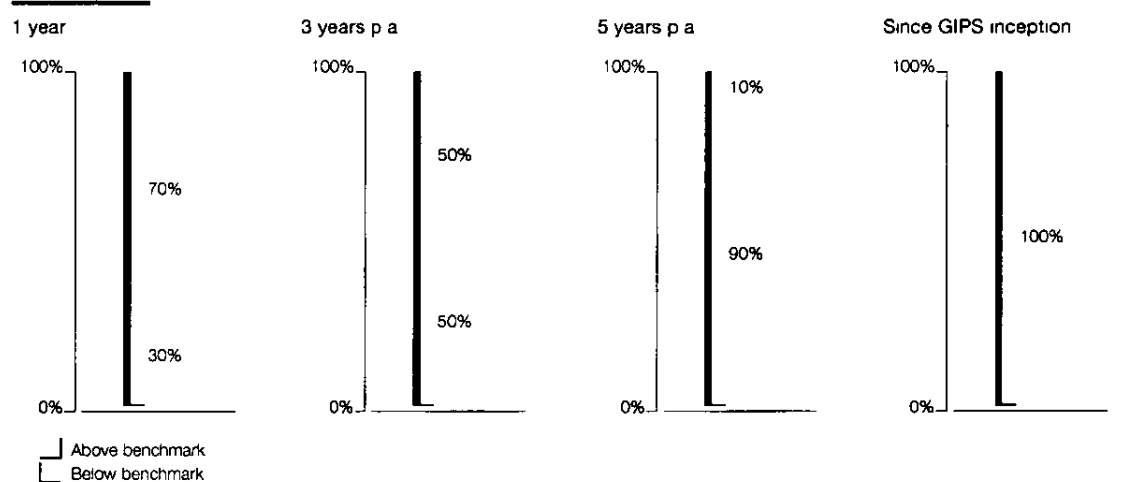
Calculated from Standard and Poors' Datastream data



## Asset Management

Investment specialist focused on performance and client needs

### South African institutional investment performance



Calculated from Alexander Forbes data

### Outlook, risks and uncertainties

- Key risks for our business include market levels, key staff retention and reputational risk
- We have good sales opportunities based on our breadth of range of investment products and our wide distribution footprint

## Property Activities

Leading fund and asset manager, seeking selective trading opportunities

### Scope of activities

- Property projects (trading and development)
- Property investments
- Property fund and asset management

### Strategic focus

#### UK and Europe

Our strategy is to align the strategic focus of the UK business with that of South Africa, to include property fund management, investment and trading and development activities

#### Property fund management

Our strategy is to

- Launch a UK property trading fund
- Launch a UK REITs investment business
- Create a property portfolio balanced in terms of geography and income profile within an existing fund co-managed with a global property operator
- Take advantage of trading opportunities and source properties for the Investec GLL Special Opportunities Real Estate Fund

#### Property investments

Our strategy is to

- Co-invest in funds with our clients
- Pursue off-market opportunities to source products for the funds

### South Africa

#### Property Fund Management

Our strategy is to

- Pursue the strategic acquisition, development and re-development of individual properties and portfolios on balance sheet and for trading purposes

#### Property Projects

Our strategy is to

- Source buildings and land opportunities with the specific intention of adding or unlocking value to trade or invest
- Develop and refurbish within the commercial, retail, industrial and residential sectors using our extensive experience and skill

#### Property Investments

Our strategy is to

- Substantially increase assets under management
- Pursue off market transactions to enhance performance
- Develop international property capabilities and products
- Continually be the first port of call for institutional and private investors by creating superior returns

### Australia

#### Property Fund Management and Property Projects

Our strategic objectives are to

- Take advantage of opportunities, including the acquisition of development properties, short-term property trading, specialised properties and long-term investment properties
- Acquire properties with value-add potential through redevelopment and/or property repositioning
- Align with appropriate partners to leverage their expertise

#### Capital raisings and investments

Our strategy is to

- Engage in further capital raisings to create private equity opportunistic funds
- Create investment opportunities for wholesale clients while growing assets under management



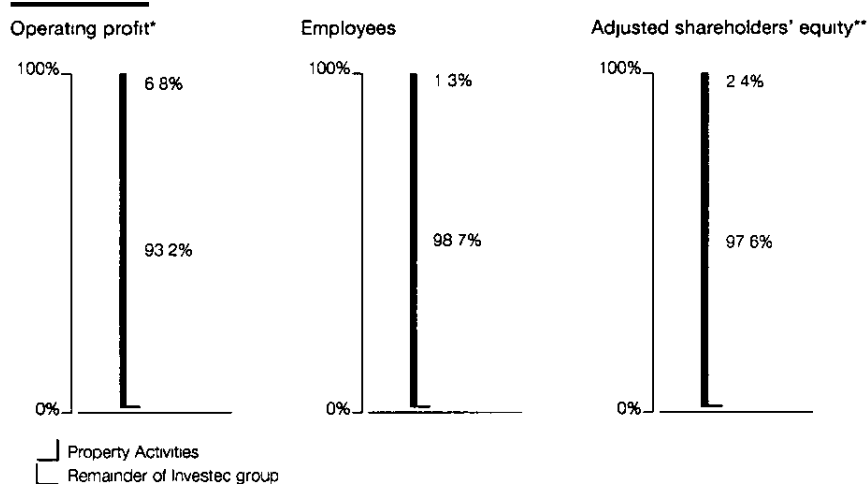
## Property Activities

Leading fund and asset manager seeking selective trading opportunities

### Management structure

|                         |                       |
|-------------------------|-----------------------|
| Global Head of Property | Sam Hackner           |
| UK and Europe           |                       |
| Regional Head           | Angelique de Rauville |
| Property Projects       | Robin Magid           |
| South Africa            |                       |
| Regional Head           | Sam Leon              |
| Property Projects       | Robin Magid           |
| Property Investments    | Angelique de Rauville |
| Finance                 | Dave Donald           |
| Australia               |                       |
| Regional Head           | Graeme Katz           |

### Contribution analysis



\* Before goodwill non-operating items, taxation and after minorities (excluding Group Services and Other Activities)

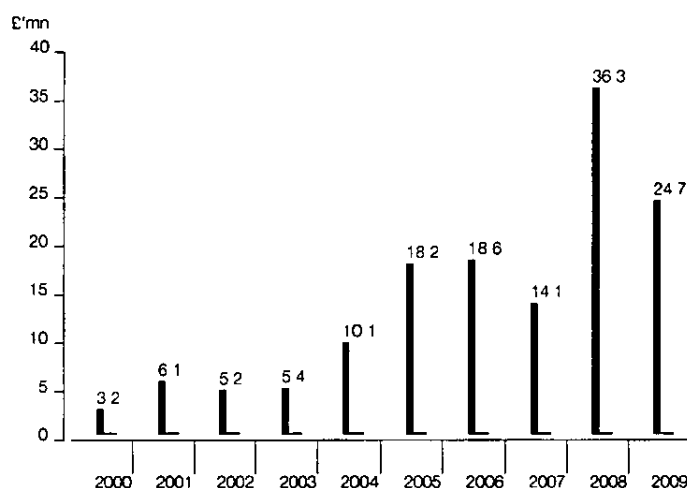
\*\* As calculated on page 28



## Property Activities

Leading fund and asset manager seeking selective trading opportunities

### Operating profit<sup>^</sup> - track record



<sup>^</sup> Trend reflects numbers as at the year ended 31 March. The numbers prior to 31 March 2005 were reported in terms of UK GAAP. Amounts for 2008 and 2009 are shown before goodwill, non-operating items, taxation and after minorities. Prior to 2008 amounts have not been adjusted for minorities.

### Overview and financial analysis

| £'000                                                              | 31 March 2009 | 31 March 2008 | Variance | % change |
|--------------------------------------------------------------------|---------------|---------------|----------|----------|
| Net interest income                                                | (6 886)       | (10 513)      | 3 627    | (34.5%)  |
| Net fee and commission income                                      | 22 724        | 20 764        | 1 960    | 9.4%     |
| Other income                                                       | 22 253        | 45 275        | (23 022) | (50.8%)  |
| Total operating income                                             | 38 091        | 55 526        | (17 435) | (31.4%)  |
| Admin expenses and depreciation                                    | (13 410)      | (19 205)      | 5 795    | (30.2%)  |
| Operating profit before goodwill, non-operating items and taxation | 24 681        | 36 321        | (11 640) | (32.0%)  |
| UK and Europe                                                      | 774           | 144           | 630      | >100.0%  |
| Southern Africa                                                    | 21 769        | 36 078        | (14 309) | (39.7%)  |
| Australia                                                          | 2 138         | 99            | 2 039    | >100.0%  |
| Operating profit before goodwill, non-operating items and taxation | 24 681        | 36 321        | (11 640) | (32.0%)  |
| Adjusted shareholders' equity*                                     | 48 915        | 29 773        | 19 142   | 64.3%    |
| ROE (pre-taxation)*                                                | 47.5%         | 122.8%        |          |          |
| Cost to income ratio                                               | 35.2%         | 34.6%         |          |          |
| Operating profit per employee (£'000)*                             | 324.8         | 209.9         | 114.9    | 54.7%    |

\* As calculated on pages 28 and 31

The variance in operating profit over the year can be explained as follows

- The group disposed of its South African property fund management and property administration business to Growthpoint in the prior period. The business earned fees on deals completed in the current year, however, the investments business has been negatively impacted by the state of the listed property investments market. The revaluation of investment properties net of funding costs amounted to R230 million (2008: R447 million).
- UK: This business, having commenced in May 2007, generated a year to date operating profit of £774K (2008: £144K).
- Australia reflects a newly created business focusing on property funds management.

## Property Activities

Leading fund and asset manager, seeking selective trading opportunities

### Developments

#### UK and Europe

- The Property Investments business is now fully operational. The global financial crisis has severely affected the property market and therefore our business. However, a number of opportunities have been identified and are being actively pursued.
- We will continue to source UK stock for our various initiatives and consider suitable investments from the UK REIT sector for Investec and third party client investment purposes.
- The Investec GLL Global Special Opportunities Real Estate Fund has invested in four properties in Chile (2), Argentina and the USA. The fund will continue to invest in international direct commercial real estate with caution and endeavour to unlock value in the short term. A total of €375 million has been raised to date and of this, €75 million has been invested.
- The business will raise capital for the UK Special Opportunities Property Fund when it believes it prudent and responsible to do so.
- Development and refurbishment opportunities will be considered on a case-by-case basis and in cooperation with experienced operators.

#### South Africa

- A slow down in global economic activity has hampered initiatives for new development. However, the business is underpinned by a good quality pipeline and the Property Investments business which provides annuity income.
- Notwithstanding the negative outlook for property in the short-term, prospects remain positive with numerous projects underway and opportunities to convert and refurbish existing holdings.
- The ability to fund new grassroots developments is extremely expensive with anticipated yields hindering progress.
- The global property products under development are expected to provide a broader range of investment products for local investors, e.g. UK Special Opportunities Property Fund and investing into UK REITs.
- Total funds under management are R846 million (2008: R1 176 million).

#### Australia

- The Investec Property Opportunity Fund has largely invested its equity. The fund is performing in line with its targeted return.
- The business is positioning itself for further fund raising opportunities in the second half of this year to take advantage of a stressed market.
- Total funds under management are AUD252 million (2008: AUD252 million).

## Outlook, risks and opportunities

#### UK and Europe

- The ability to raise capital for the newly established UK fund is difficult in the current market due to the lack of liquidity. There will be opportunities as the financial crisis unwinds. The repricing of the UK property market has resulted in the business being able to source potentially attractive real estate for the Investec GLL Global Special Opportunities Real Estate Fund. The distressed UK REIT market and its recent aggressive repricing is also providing potential investment for Investec direct and third party investment.

#### South Africa

- Property, like all the other sectors in the economy, is susceptible to weakness when the economy experiences a slow down as the underlying tenants become vulnerable to the vagaries of the economy.
- New developments have been hampered as there has been a reduction in tenant demand, and many current opportunities are not able to achieve the required rental levels that would give an acceptable return. Current sellers of vacant land have not adjusted their pricing to reflect the current downturn in the market.
- Opportunities to enhance value to existing portfolios remain positive.
- The volatility in global markets has resulted in a sharp sell-off in South African property equities. Markets are expected to start reflecting value which creates opportunities on the back of weakening prices.

#### Australia

- The Australia REIT managers are raising equity to replace debt that cannot be refinanced.
- The high cost of debt to the property markets suggest further asset devaluation in the short-term.
- Given current market conditions and the age of the fund, the focus is on the growth and development of the assets under management.
- We will continue to look for acquisition opportunities in the current market.

## Group Services and Other Activities

Group Services includes the Central Services and Central Funding functions while Other Activities predominantly includes the International Trade Finance business and Assurance Activities

### Scope of activities

|                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Central Services | <ul style="list-style-type: none"> <li>- Corporate Affairs</li> <li>- Corporate Social Investment</li> <li>- Economics Research</li> <li>- Finance and Operations</li> <li>- Head Office</li> <li>- Human Resources</li> <li>- Information and Business Intelligence Centre</li> <li>- Information Technology</li> <li>- International Financial Institutions</li> <li>- Investor Relations</li> <li>- Legal and Tax</li> <li>- Marketing</li> <li>- Organisation Development</li> <li>- Regulatory Internal Audit and Compliance</li> <li>- Risk Management</li> <li>- Secretarial</li> <li>- Staff Share Schemes</li> </ul> |
| Other Activities | <ul style="list-style-type: none"> <li>- International Trade Finance (ReichmansCapital) – trade, asset and debtor finance</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

### Management structure

|                                                    |                     |
|----------------------------------------------------|---------------------|
| Banking and Institutions                           | David Lawrence      |
| Chief Integrating Officer                          | Allen Zimble        |
| Corporate Affairs and Sustainability               | Carole Mason        |
| Corporate Governance Internal Audit and Compliance | Bradley Tapnack     |
| Finance, IT and Operations                         | Rayanne Jacobson    |
| Human Resources                                    | Allen Zimble (UK)   |
|                                                    | Tracey Rowe (SA)    |
| International Financial Institutions               | Helmut Bahrs        |
| Investor Relations                                 | Ursula Nobrega      |
| Legal                                              | David Nurek         |
| Marketing                                          | Raymond van Niekerk |
| Organisation Development                           | Caryn Solomon (UK)  |
|                                                    | Marc Kahn (SA)      |
| Risk Management                                    | Ciaran Whelan       |
| Secretarial and Staff Share Schemes                | Les Penfold         |
| Tax                                                | Pankaj Shah (UK)    |
|                                                    | Justin Cowley (SA)  |
| ReichmansCapital                                   | Robin Jacobson      |
|                                                    | Howard Tradonsky    |
|                                                    | John Wilks          |



## Group Services and Other Activities

### Overview and financial analysis

| £'000                                                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|--------------------------------------------------------------------------------------|------------------|------------------|----------|-------------|
| International Trade Finance                                                          | 7 215            | 7 258            | (43)     | (0.6%)      |
| Central Funding                                                                      | 90 721           | 80 223           | 10 498   | 13.1%       |
| Central Services                                                                     | (66 142)         | (73 389)         | 7 247    | (9.9%)      |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 31 794           | 14 092           | 17 702   | >100.0%     |

| 31 March 2009<br>£'000                                                               | UK and<br>Europe | Southern<br>Africa | Australia | Total group |
|--------------------------------------------------------------------------------------|------------------|--------------------|-----------|-------------|
| International Trade Finance                                                          | 3 026            | 4 189              | -         | 7 215       |
| Central Funding                                                                      | 12 514           | 73 353             | 4 854     | 90 721      |
| Central Services                                                                     | (33 856)         | (30 147)           | (2 139)   | (66 142)    |
| Operating profit before goodwill, non-operating items, taxation and after minorities | (18 316)         | 47 395             | 2 715     | 31 794      |

| 31 March 2008<br>£'000                                                               | UK and<br>Europe | Southern<br>Africa | Australia | Total group |
|--------------------------------------------------------------------------------------|------------------|--------------------|-----------|-------------|
| International Trade Finance                                                          | 3 229            | 4 029              | -         | 7 258       |
| Central Funding                                                                      | (3 295)          | 72 241             | 11 277    | 80 223      |
| Central Services                                                                     | (34 139)         | (29 658)           | (9 592)   | (73 389)    |
| Operating profit before goodwill, non-operating items, taxation and after minorities | (34 205)         | 46 612             | 1 685     | 14 092      |

## Developments

### International Trade Finance

- Notwithstanding higher interest rates and a volatile exchange rate, the International Trade Finance business continued to add new clients across the board

### Central Services

- We have a policy of allocating costs housed in the centre that are, in effect, performing a function for the divisions of the group
- There are certain costs that are strategic in nature which have not been allocated for pure segmental disclosure, amounting to £64.1 million (2008: £73.4 million). However, a portion thereof (£53.2 million) is allocated to the operating divisions for purposes of determining return on adjusted capital per business segment. Refer to page 28 for further details
- Central costs are lower than the prior year mainly due to a decrease in variable remuneration in line with reduced profitability

### Central Funding

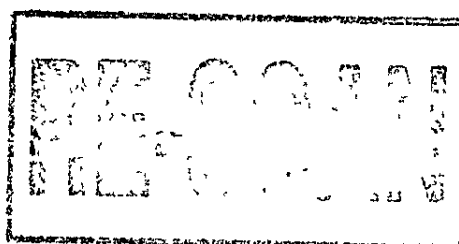
- We have a business model of maintaining a central pool of capital with the aim of ensuring that economies of scale with respect to corporate investments, funding and overall management are obtained
- Various sources of funding are employed, the determination of which depends on the specific financial and strategic requirements the group faces at the time
- The funds raised are applied towards making acquisitions, funding central services and debt obligations, and purchasing corporate assets and investments not allocated to the five operating divisions

## Group Services and Other Activities

| £'000                                                                                | 31 March<br>2009 | 31 March<br>2008 | Variance | %<br>change |
|--------------------------------------------------------------------------------------|------------------|------------------|----------|-------------|
| Net interest income (excluding interest on sub debt and debentures)                  | 199 733          | 158 555          | 41 178   | 26 0%       |
| Principal transactions                                                               | 14 301           | 17 777           | (3 476)  | (19 6%)     |
| Other income                                                                         | (2 943)          | 8 477            | (11 420) | (>100 0%)   |
|                                                                                      | 211 091          | 184 809          | 26 282   | 14 2%       |
| Interest paid on sub-debt and debentures                                             | (83 749)         | (74 516)         | (9 233)  | 12 4%       |
| Impairment losses on loans and advances                                              | (4 197)          | 382              | (4 579)  | (>100 0%)   |
| Admin expenses and depreciation                                                      | (6 381)          | (6 831)          | 450      | (6 6%)      |
| Operating profit before goodwill, non-operating items and taxation                   | 116 764          | 103 844          | 12 920   | 12 4%       |
| Earnings attributable to minority interests                                          | (26 043)         | (23 621)         | (2 422)  | 10 3%       |
| Operating profit before goodwill, non-operating items, taxation and after minorities | 90 721           | 80 223           | 10 498   | 13 1%       |

The variance in operating profit over the year can be explained as follows

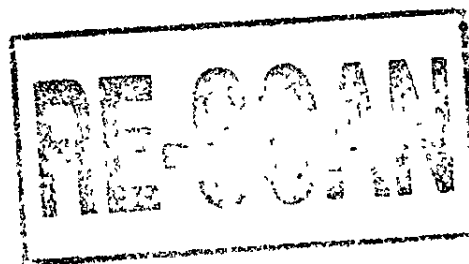
- Net interest income was impacted by
  - Increased cash holdings
  - A profit of £25.8 million (2008 profit of £23.4 million) arising on the derivative hedging of the preferred securities issued by a subsidiary of Investec plc from Euros into Pounds Sterling. This exposure is hedged with the equal and opposite impact reflected in losses/earnings attributable to minorities
- The increase in interest paid on sub-debt is as a result of new debt being issued in South Africa in December 2007, February 2008 and April 2008
- The decline in principal transaction income reflects a lower return on certain of the assets in the South African portfolio. Furthermore, the division benefited from a number of realisations in the prior period



## Segmental business analysis of operating profit before goodwill, non-operating items, taxation and after minorities

| £'000                                                   | 1st half<br>2009 | 2nd half<br>2009 | Year to<br>31 March<br>2009 | 1st half<br>2008  | 2nd half<br>2008 | Year to<br>31 March<br>2008 | % change<br>year<br>on year |
|---------------------------------------------------------|------------------|------------------|-----------------------------|-------------------|------------------|-----------------------------|-----------------------------|
| <b>Private Client Activities</b>                        |                  |                  |                             |                   |                  |                             |                             |
| Private Banking                                         | 63 226           | 17 237           | 80 463                      | 85 694            | 80 700           | 166 394                     | (51.6%)                     |
| Private Client Portfolio Management and<br>Stockbroking | 13 128<br>76 354 | 10 974<br>28 211 | 24 102<br>104 565           | 14 367<br>100 061 | 12 975<br>93 675 | 27 342<br>193 736           | (11.8%)<br>(46.0%)          |
| <b>Capital Markets</b>                                  | 72 130           | 69 244           | 141 374                     | 42 699            | 72 932           | 115 631                     | 22.3%                       |
| <b>Investment Banking</b>                               |                  |                  |                             |                   |                  |                             |                             |
| Corporate Finance                                       | 5 496            | 134              | 5 630                       | 8 230             | 6 047            | 14 277                      | (60.6%)                     |
| Institutional Research, Sales and Trading               | 8 456            | 1 775            | 10 231                      | 7 223             | 5 199            | 12 422                      | (17.6%)                     |
| Principal Investments                                   | 14 604           | (2 299)          | 12 305                      | 29 642            | 16 185           | 45 827                      | (73.1%)                     |
|                                                         | 28 556           | (390)            | 28 166                      | 45 095            | 27 431           | 72 526                      | (61.2%)                     |
| <b>Asset Management</b>                                 | 33 684           | 32 502           | 66 186                      | 36 203            | 40 208           | 76 411                      | (13.4%)                     |
| <b>Property Activities</b>                              | 11 144           | 13 537           | 24 681                      | 11 486            | 24 835           | 36 321                      | (32.0%)                     |
| <b>Group Services and Other Activities</b>              |                  |                  |                             |                   |                  |                             |                             |
| International Trade Finance                             | 3 589            | 3 626            | 7 215                       | 3 132             | 4 126            | 7 258                       | (0.6%)                      |
| Central Funding                                         | 46 368           | 44 353           | 90 721                      | 34 854            | 45 368           | 80 222                      | 13.1%                       |
| Central Services Costs                                  | (30 067)         | (36 075)         | (66 142)                    | (28 995)          | (44 393)         | (73 388)                    | (9.9%)                      |
|                                                         | 19 890           | 11 904           | 31 794                      | 8 991             | 5 101            | 14 092                      | 74.4%                       |
| <b>Total group</b>                                      | <b>241 758</b>   | <b>155 008</b>   | <b>396 766</b>              | <b>244 535</b>    | <b>264 182</b>   | <b>508 717</b>              | <b>(24.1%)</b>              |

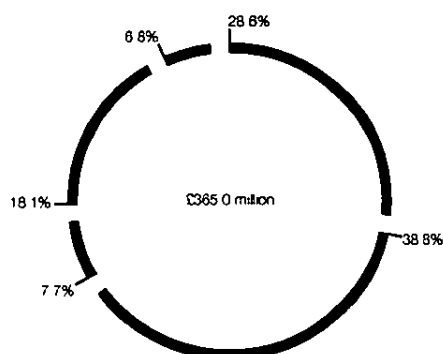
Divisional review



## Segmental business analysis of operating profit before goodwill, non-operating items, taxation and after minorities

Operating profit before goodwill, non-operating items, taxation and after minorities by division (excluding Group Services and Other Activities)

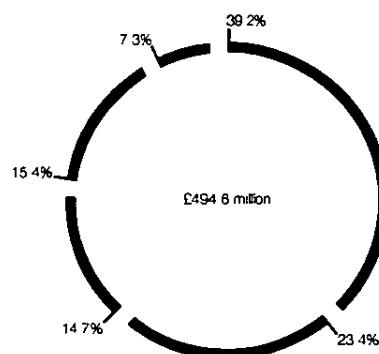
31 March 2009



Private Client Activities  
Asset Management

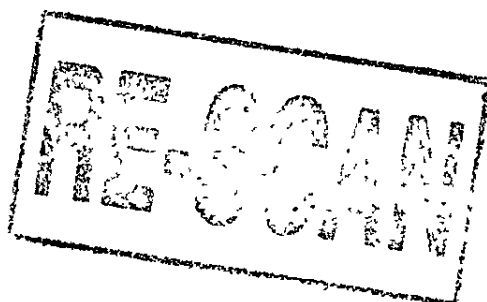
Capital Markets  
Property Activities

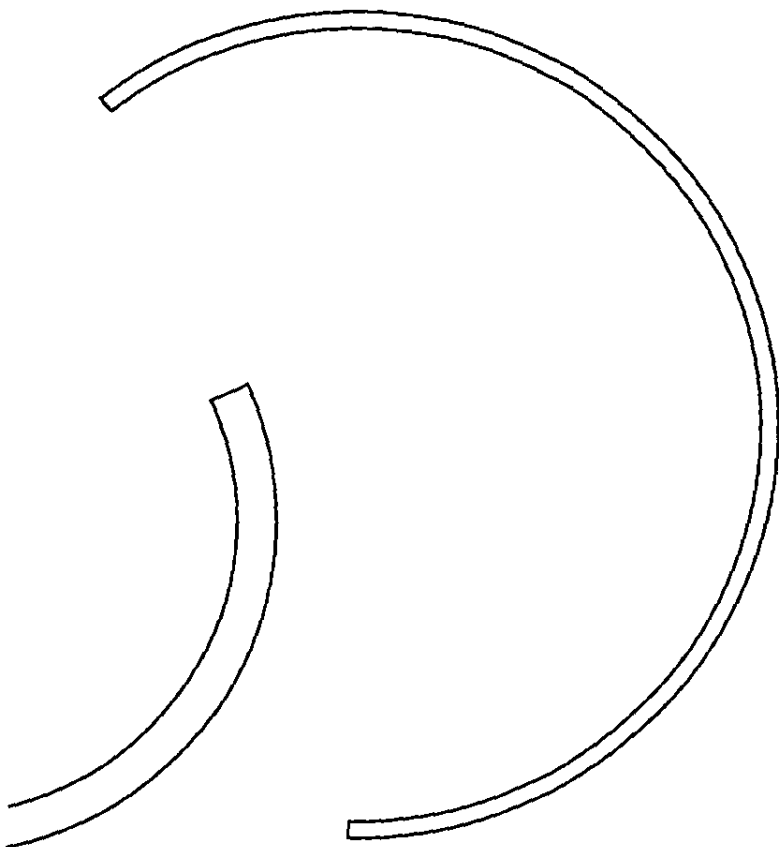
31 March 2008



Investment Banking

Further segmental information is provided on pages 256 to 262





RE-SCAN

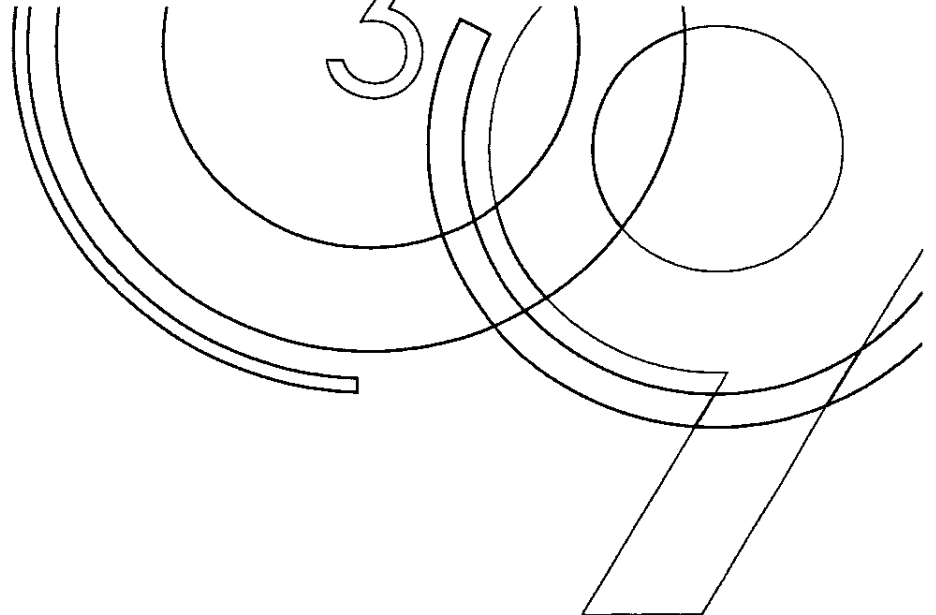
RE-SCAN



RE-SCAN

Risk and governance

3



RE-SCAN

## Risk management

Risk disclosures provided in line with the requirements of International Financial Reporting Standard 7 Financial Instruments Disclosures ("IFRS 7") and disclosures on capital required by International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") are included within this section of the Annual Report (pages 85 to 164) with further disclosures provided within the financial statements section (pages 241 to 319). All sections, paragraphs, tables and graphs on which an audit opinion is expressed are marked as audited.

## Philosophy and approach

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

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

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

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

Group Risk Management operates within an integrated geographical and divisional structure, in line with our management approach, ensuring that the appropriate processes are used to address all risks across the group. Group Risk Management has specialist divisions in the UK, South Africa, Australia and smaller risk divisions in other regions to promote sound risk management practices.

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

## Group Risk Management's objectives

Group Risk Management's objectives are to:

- Be the custodian of our risk management culture
- To ensure the business operates within the board stated appetite
- Set, approve and monitor adherence to risk parameters and limits across the group and ensure they are implemented and adhered to consistently
- Aggregate and monitor our exposure across risk classes
- Co-ordinate risk management activities across the organisation, covering all legal entities and jurisdictions
- Give the boards reasonable assurance that the risks we are exposed to are identified and, to the best extent possible, managed and controlled
- Run appropriate risk committees, as mandated by the board

## Executive summary of the year in review from a risk perspective

As mentioned in the beginning of this report (refer to pages 2 to 6) Investec has maintained a sound balance sheet with low leverage and a diversified business model which has enabled it to navigate through the present challenging operating environment.

This has been supported by the following key operating fundamentals:

- Intimate involvement of senior management ensuring stringent management of risk, liquidity and capital
- Strong risk and capital management culture, embedded into our day-to-day activities and values. We seek to achieve an appropriate balance between risk and reward in our business, taking cognisance of all stakeholders' interests
- Reward programmes that align directors' and employees' interests with those of stakeholders, ensuring that these programmes promote effective risk management. Annual bonuses are closely linked to business performance, determined in the main by realised Economic Value Added profit performance against pre-determined targets above a risk and capital weighted return. This model has been consistently applied for in excess of ten years
- Credit and counterparty exposures to a select target market: our risk appetite continues to favour lower risk, income-based lending, with credit risk taken over a short to medium term. Exposure is taken against defined target clients displaying a profile of good character, sound financial strength and integrity: a core competency and a sound track record in the activity funded. We have, however, experienced an increase in impairments and defaults as a result of weak economic conditions. The credit loss ratio has increased to 1.1% of core loans and advances, in line with our expectations
- Limited exposure to rated and unrated structured credit investments: representing less than 2% of total assets
- A low leverage ratio of approximately 12 times
- A low level of net assets and liabilities exposed to the volatility of IFRS fair value accounting, with "level 3" assets amounting to 1% of total assets
- Low equity (investment) risk exposure, within total investments comprising less than 3% of total assets
- Modest proprietary market risk within our trading portfolio, value at risk and stress testing scenarios remain at prudent levels. Potential losses that could arise in our trading book portfolio stress tested under extreme market conditions (15 standard deviations) amount to less than 1% of total operating income.

## Risk management

- A high level of readily available, high quality liquid assets – average cash and near cash of approximately £5 billion, representing 20% to 30% of our liability base. We continue to maintain a low reliance on interbank wholesale funding to fund core lending asset growth
- An increase in retail customer deposits and access to longer term funding initiatives
- Healthy capital ratios, we have always held capital in excess of regulatory requirements and we intend to perpetuate this philosophy. We have strengthened our capital base and increased our net tangible asset value during the period
- Geographical and operational diversity with a high level of recurring income which continues to support sustainability of operating profit, albeit at a lower level

The global financial market crisis has resulted in increasing risk levels and has impacted the markets in which we operate on a number of fronts. Our overall risk management philosophies, practices and frameworks have remained largely unchanged, and have held us in good stead over the period. Detailed information on key developments during the financial year is provided in the sections that follow (refer to pages 97–98, 122, 125 to 129, 132, 133, 136 to 143, 146 to 148 and 158 to 161).

Maintaining credit quality, moderating loan growth, strictly managing risk and liquidity and continuing to grow our capital base remain strategic imperatives for the year ahead.

## An overview of key risks

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

These risks are summarised briefly in the table below. The sections that follow provide information on a number of these risk areas. For additional information pertaining to the management and monitoring of these risks, see the references provided.

| Key risks                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Reference                                                                                                                                                                                                                                                                                                                                                                                                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Credit and counterparty risk exposes us to losses caused by financial or other problems experienced by our clients</li> <li>• Liquidity risk may impair our ability to fund our operations</li> <li>• Our net interest earnings and net asset value may be adversely affected by interest rate risk</li> <li>• Market, business and general economic conditions and fluctuations could adversely affect our businesses in a number of ways</li> <li>• We may be unable to recruit, retain and motivate key personnel</li> <li>• Employee misconduct could cause harm that is difficult to detect</li> <li>• Operational risk may disrupt our business or result in regulatory action</li> <li>• We are exposed to non-traded currency risk, where fluctuations in exchange rates against Pounds Sterling, could have an impact on our financial results</li> <li>• We may be vulnerable to the failure of our systems and breaches of our security systems</li> <li>• We may have insufficient capital in the future and may be unable to secure additional financing when it is required</li> <li>• The financial services industry in which we operate is intensely competitive</li> <li>• Legal and regulatory risks are substantial in our businesses</li> <li>• Reputational, strategic and business risk</li> <li>• We may be exposed to pension risk in our UK operations</li> </ul> | <p>See pages 91 to 120</p> <p>See pages 134 to 143</p> <p>See pages 130 to 134</p> <p>See pages 121 to 130</p> <p>See Our Business Responsibility website</p> <p>See pages 144 to 148</p> <p>See pages 144 to 148</p> <p>See page 17</p> <p>See pages 144 to 148</p> <p>See pages 150 to 154</p> <p>See pages 8 to 10 and pages 17 and 88</p> <p>See page 149</p> <p>See page 149</p> <p>See page 149</p> |

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

## Risk management framework, committees and forums

A number of committees and forums identify and manage risk at both a business unit level in various locations and at a group level, as described more fully below. These committees and forums operate together with Group Risk Management and are mandated by the board. A diagram of our governance and risk framework is provided on page 170.

| Committee                                                                                                                                                                                           | Function                                                         |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| <b>Board Risk and Capital Committee (BRCC)</b><br>Members: executive and non-executive directors (senior management by invitation)<br>Chairman: Stephen Koseff (CEO)<br>Frequency: six times a year | <ul style="list-style-type: none"> <li>• See page 179</li> </ul> |
| <b>DLC Capital Committee</b><br>Members: executive and non-executive directors and senior management<br>Chairman: Stephen Koseff (CEO)<br>Frequency: at least quarterly                             | <ul style="list-style-type: none"> <li>• See page 181</li> </ul> |

## Risk management

| Committee                                                                                                                                                                                                                                                                  | Function                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Executive Risk Review Forum</b><br>Members executive directors and senior management<br>Chairman Stephen Koseff (CEO)<br>Frequency every Friday except on BRCC dates                                                                                                    | <ul style="list-style-type: none"> <li>See page 180</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Group Investment Committee</b><br>Members executive directors and senior management<br>Chairman Stephen Koseff (CEO)<br>Frequency weekly                                                                                                                                | <ul style="list-style-type: none"> <li>Is responsible for reviewing and approving <ul style="list-style-type: none"> <li>Acquisitions or disposals of strategic investments in which we act as principal and retain an equity interest (above predetermined thresholds)</li> <li>Capital expenditure or disposals (above predetermined thresholds)</li> </ul> </li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Group Credit Committee</b><br>Members executive and senior management Non-executive directors have a level of oversight which is exercised within the applicable committee<br>Chairman Glynn Burger (Group Risk and Finance director)<br>Frequency weekly               | <ul style="list-style-type: none"> <li>Considers and approves the granting of credit to counterparties in excess of the mandates granted to divisional and other credit forums on a global basis</li> <li>Sets the level of our maximum acceptable counterparty, geographic, asset, concentration and industry exposures</li> <li>Reviews and approves changes to credit policy and methodologies, including <ul style="list-style-type: none"> <li>Large exposure policy - dealing with the control of concentration risk and exposure measurement methodology</li> <li>Provisioning policy - dealing with the classification of past due amounts and minimum acceptable provisions</li> <li>Excess management policy - dealing with the classification of excesses and prescribed escalation procedures</li> <li>Long dated exposure by counterparty and instrument type</li> <li>Property valuation policy - specifies the framework for valuation of physical security</li> </ul> </li> </ul> |
| <b>Group Deal Forum</b><br>Members executive and senior management Non-executive directors have a level of oversight which is exercised within the applicable committee<br>Chairman Glynn Burger (Group Risk and Finance director)<br>Frequency weekly                     | <ul style="list-style-type: none"> <li>Considers, approves and mitigates the risks inherent in any acquisition disposal, new product or other non-standard transactions that we are considering</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Group Market Risk Forum</b><br>Members Global heads of risk, market risk and the trading desks senior management, members of the market risk teams and other members of Group Risk Management<br>Chairman Mark Trollip (Global Head of Market Risk)<br>Frequency weekly | <ul style="list-style-type: none"> <li>Manages market risk by identifying and quantifying risks on the basis of current and future expectations and ensuring that trading occurs within defined parameters</li> <li>Reviews market risk limits</li> <li>Considers new business initiatives with a market risk element</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Asset and Liability Committee</b><br>Members executive, senior management, economist treasurer, business heads and Head of Asset and Liability Management<br>Chairman Glynn Burger (Group Risk and Finance director)<br>Frequency monthly (or ad hoc if required)       | <ul style="list-style-type: none"> <li>Sets our funding and liquidity policy and non-trading interest rate risk policy, which translates into a suite of limits that define our risk appetite</li> <li>Directs the implementation of the methodology, techniques models and risk measures</li> <li>Reviews the structure of our balance sheet and business strategies taking into account market conditions, including stress tests</li> <li>Maintains liquidity contingency plans</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Operational Risk Committee (UK)</b><br>Members Chief Risk Officer Head of Operational Risk and senior management<br>Chairman Bharat Thakker<br>Frequency quarterly                                                                                                      | <ul style="list-style-type: none"> <li>Promotes sound operational risk management practices</li> <li>Considers and recommends the enhancement of operational risk management practices and techniques</li> <li>Considers key operational risk reports</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Operational Risk Working Group (South Africa and UK)</b><br>Members Head of Operational Risk, members of operational risk management team and divisional operational risk managers (embedded risk managers)<br>Frequency monthly                                        | <ul style="list-style-type: none"> <li>In the UK matters are reported to the Operational Risk Committee for escalation to BRCC In South Africa the Operational Risk Working Group is responsible for escalating matters to BRCC</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |

## Risk management

| Committee                                                                                                                                                                                                          | Function                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Group Legal Risk Forum</b><br>Members executive directors, senior management and divisional legal managers<br>Chairman David Nurek (Global Head of Legal Risk)<br>Frequency half-yearly (or ad hoc if required) | <ul style="list-style-type: none"> <li>Considers and manages legal risks throughout the group</li> </ul>                                                              |
| <b>DLC Audit Committee</b><br>Members non-executive directors<br>Chairman Sam Abrahams (non-executive director)<br>Frequency minimum of three times a year                                                         | <ul style="list-style-type: none"> <li>See page 176</li> <li>The Internal Audit, Compliance and Operational Risk Departments report to the Audit Committee</li> </ul> |

### Note

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

BRCC – Board Risk and Capital Committee

ERRF – Executive Risk Review Forum

FSA – Financial Services Authority

SARB – South African Reserve Bank

APRA – Australian Prudential Regulatory Authority

## Key markets indicators

The table below provides an overview of some key statistics that should be considered when reviewing the developments within each area of risk

| <b>Audited</b>                                          | <b>31 March 2009<br/>period end</b> | <b>31 March 2008<br/>period end</b> | <b>Average over<br/>the period</b> |
|---------------------------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|
| <b>Market indicators</b>                                |                                     |                                     |                                    |
| FTSE all share                                          | 1 984                               | 2 927                               | 2 486                              |
| JSE all share                                           | 20 364                              | 29 588                              | 24 734                             |
| Australia all ords                                      | 3 532                               | 5 410                               | 4 491                              |
| S&P 500                                                 | 798                                 | 1 323                               | 1 090                              |
| Nikkei                                                  | 8 110                               | 12 526                              | 10 866                             |
| Dow Jones                                               | 7 609                               | 12 263                              | 10 136                             |
| <b>Exchange rates</b>                                   |                                     |                                     |                                    |
| Rand/Pounds Sterling                                    | 13 58                               | 16 17                               | 14 83                              |
| Rand/Dollar                                             | 9 51                                | 8 09                                | 8 80                               |
| US Dollar/Euro                                          | 1 33                                | 1 58                                | 1 42                               |
| Euro/Pounds Sterling                                    | 1 08                                | 1 25                                | 1 21                               |
| Australian Dollar/Pounds Sterling                       | 2 07                                | 2 18                                | 2 19                               |
| US Dollar/Pounds Sterling                               | 1 43                                | 1 99                                | 1 73                               |
| <b>Rates</b>                                            |                                     |                                     |                                    |
| UK overnight                                            | 0 63%                               | 5 55%                               | 3 49%                              |
| UK 10 year                                              | 3 17%                               | 4 34%                               | 4 22%                              |
| UK Clearing Banks Base Rate                             | 0 57%                               | 5 25%                               | 3 74%                              |
| LIBOR - 3 month                                         | 1 65%                               | 6 01%                               | 4 63%                              |
| SA R153 (2010)                                          | 6 88%                               | 9 71%                               | 9 18%                              |
| SA R157 (2015)                                          | 8 18%                               | 9 22%                               | 8 87%                              |
| Rand overnight                                          | 9 16%                               | 10 60%                              | 11 23%                             |
| SA prime overdraft rate                                 | 13 00%                              | 14 50%                              | 15 06%                             |
| JIBAR - 3 month                                         | 8 80%                               | 11 38%                              | 11 63%                             |
| Reserve Bank of Australia cash target rate              | 3 25%                               | 7 25%                               | 5 84%                              |
| US 10 year                                              | 2 67%                               | 3 41%                               | 3 41%                              |
| <b>Commodities</b>                                      |                                     |                                     |                                    |
| Gold                                                    | USD919/oz                           | USD917/oz                           | USD869/oz                          |
| Gas Oil Futures                                         | USD420/mt                           | USD969/mt                           | USD812/mt                          |
| Platinum                                                | USD1 129/oz                         | USD1 966/oz                         | USD1 371/oz                        |
| <b>Macro-economic</b>                                   |                                     |                                     |                                    |
| UK GDP (% change over the period)                       | (1 0%)                              | 2 90%                               | n/c                                |
| UK per capita GDP (£)                                   | 23 496                              | 22 712                              |                                    |
| South Africa GDP (% real growth over the calendar year) | 3 10%                               | 5 10%                               | n/c                                |
| South Africa per capita GDP (real value) (R)            | 25 897                              | 25 499                              |                                    |
| Australia GDP (% change over the period)                | 1 6%                                | 4 20%                               | n/c                                |
| Australia per capita GDP (AUD)                          | 55 260                              | 51 985                              |                                    |

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

## Risk management

### Integrated global risk management structure

Group Risk and Finance Director - Glynn Burger  
Global Head of Risk - Ciaran Whelan

| Divisional and geographic roles | Global          | UK and Europe    | South Africa     | Australia       |
|---------------------------------|-----------------|------------------|------------------|-----------------|
| Credit Risk                     | Ciaran Whelan   | Ian Wohlman      | Justin Cowley    | Mike Sargeant   |
| Market Risk                     | Mark Trollip    | Boaz Schechter   | Adnenne Betts    | Adam Rapeport   |
| Balance Sheet Risk Management   | Cyril Daleski   | Wendy Robinson   | Cyril Daleski    | Peter Binetter  |
| Operational Risk                | Colin Fiddes    | Bharat Thakker   | Colin Fiddes     | Shirley Snoyman |
| Legal Risk                      | David Nurek     | Richard Brearley | David Nurek      | Stephen Chipkin |
| Internal Audit                  | Bradley Tapnack | Noel Sumner      | Brigid Schneider | Aik Leow        |
| Compliance                      | Bradley Tapnack | Richard Brearley | Geoff Cook       | Belinda Dorfan  |

### Securitisation/principal finance activities and exposures

Developments within the international economy have impacted on securitisation/principal finance activities and have limited our strategic initiatives in this space. The information below sets out the initiatives we have focused on over the past few years, albeit that some of these business lines have been significantly curtailed given the current economic climate.

#### UK and Europe

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

We retain residual net exposures amounting to £516 million to the assets originated, warehoused and securitised by Kensington. Further information is provided on pages 52 and 53.

#### South Africa

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

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

Furthermore, we provide standby liquidity facilities to two conduits, namely the Grayston Conduit 1 (Pty) Ltd Series 1 and Series 2, and to the securitisation structure of the Growthpoint Note Issuer Company (Series 1 Tranche 1, Series 1 Tranche 2, Series 2 and Series 3). These facilities, which totalled R3.9 billion as at 31 March 2009, have not been drawn on and are thus reflected as off-balance sheet contingent exposures in terms of our credit analysis (refer to pages 90 and 91). 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.

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

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

Total assets that have been originated and securitised by the Private Bank amount to R9.3 billion (2008: R9.2 billion) and include auto loans (R0.9 billion), residential mortgages (R6.9 billion) and commercial mortgages (R1.5 billion). These securitisation structures have all been rated by Moody's.

#### Australia

Investec Bank (Australia) Limited acquired Expenen in 2007. As is the case in the South African Private Banking division, assets originated by the business have been securitised. These amount to AUD914 million (2008: AUD756 million) and include leases and instalment debtors (AUD474 million), residential mortgages (AUD31 million), commercial mortgages (AUD246 million) and other loans, for example overdrafts (AUD163 million). These securitisation structures have all been rated by Standard and Poor's.

### Accounting treatment Audited

Refer to pages 283 and 284

# Risk management

## Credit analysis

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

| Nature of exposure/activity                                                                                                                                          | Exposure as at 31 March 2009 - £'mn | Exposure as at 31 March 2008 - £'mn | Credit analysis internal risk classification                                                                                                                                                                                                                                                                | Asset quality - relevant comments                                              | Capital treatment                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|-------------------------------------------------------------------------------|
| Structured credit investments                                                                                                                                        | 376                                 | 231                                 | On-balance sheet securitisation/principal finance exposure                                                                                                                                                                                                                                                  | During the year we wrote off approximately £25 million against these exposures | Risk-weighted or supervisory deductions against primary and secondary capital |
| Rated                                                                                                                                                                | 243                                 | 121                                 |                                                                                                                                                                                                                                                                                                             |                                                                                |                                                                               |
| Unrated                                                                                                                                                              | 76                                  | 91                                  |                                                                                                                                                                                                                                                                                                             |                                                                                |                                                                               |
| Other                                                                                                                                                                | 57                                  | 19                                  |                                                                                                                                                                                                                                                                                                             |                                                                                |                                                                               |
| Kensington - mortgage assets<br>Net exposures (after impairments) to the securitised book (i.e. those assets that have been securitised)                             | 103                                 | 101                                 | On-balance sheet securitisation/principal finance exposure<br>Classified as 'unrated'<br>We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures" | Refer to pages 52 and 53                                                       | Risk-weighted or supervisory deductions against primary and secondary capital |
| Net exposures (after impairments) to the warehouse book (i.e. those assets that have been originated and placed in special purpose vehicles awaiting securitisation) | 413                                 | 128                                 | On-balance sheet securitisation/principal finance exposure<br>Classified as 'other'<br>We are required to fully consolidate all assets acquired from Kensington. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures"   | Refer to pages 52 and 53                                                       | Risk-weighted                                                                 |
| Direct funding warehouse facility (i.e. where we are the funding provider to the assets)                                                                             | -                                   | 238                                 |                                                                                                                                                                                                                                                                                                             |                                                                                | Risk-weighted                                                                 |
| UK - residual investments in other assets which have been securitised by us (unrated)                                                                                | 29                                  | 29                                  | On-balance sheet securitisation/principal finance exposure<br>We are required to fully consolidate these assets. However, only those assets to which we are at risk are reflected in this analysis with the balance reflected under "no credit exposures"                                                   |                                                                                | Risk-weighted or supervisory deductions against primary and secondary capital |

## Risk management

| Nature of exposure/activity                                                                                                            | Exposure as at 31 March 2009 - £'mn | Exposure as at 31 March 2008 - £'mn | Credit analysis internal risk classification                                                                                          | Asset quality - relevant comments                                                                                           | Capital treatment                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| South Africa - warehouse lines provided to, and investment in third party intermediary originating platforms (mortgage and auto loans) | 78                                  | 28                                  | On-balance sheet securitisation/principal finance exposure                                                                            | During the year we created a specific impairment of £2.5 million largely against the net investments within these platforms | Risk-weighted depending on rating of counterparty                                                                    |
| Private Banking division assets                                                                                                        | 1,128                               | 914                                 | On-balance sheet exposure - reclassified from "accounting securitised assets" to core loans and advances for credit analysis purposes | Analysed as part of the group's overall asset quality on core loans and advances as reflected on page 106                   | We apply securitisation rules - either risk-weighted or supervisory deductions against primary and secondary capital |
| South Africa - liquidity facilities provided to third party corporate securitisation vehicles                                          | 292                                 | 299                                 | 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                                                                            |

## Credit and counterparty risk management

### Credit and counterparty risk description Audited

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

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

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

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

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

### Credit and counterparty risk governance structure Audited

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



## Risk management

In addition to the Group Credit Committee, the following processes assist in managing, measuring and monitoring credit and counterparty risk

- Day to day arrears management and regular arrears reporting ensures that individual positions and any potential trends are dealt with in a timely manner
- Watchlist Committee, which reviews the management of distressed loans, potential problem loans and exposures in arrears that require additional attention and supervision
- Corporate Watch Forum, which reviews and manages exposures that may potentially become distressed as a result of changes in the economic environment or adverse share price movements, or that are vulnerable to volatile exchange rate or interest rate movements

Whilst we do not have a separate country risk committee, the Global Credit Committees will consider, analyse and assess the appropriate limits to be recorded when required, to extend the loans to foreign jurisdictions. When applications are submitted to the local group credit committee, consideration of the country risk element forms part of the sanctioning process. The local group credit committee has the power to recommend to the Global Credit Committee an appropriate country credit limit where undertaking a particular transaction could exceed the approved country limit. The Global Credit Committee is responsible for approving country limits.

### Credit and counterparty risk appetite

We have a preference for exposure to EU countries, other G10 countries, Australasia, South Africa and specific countries where we have subsidiaries or branches.

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

Our assessment of our clients includes consideration of their character and integrity, core competencies, track record and financial strength. A strong emphasis is placed on income and cash flow streams generated by the clients, third party income or cash flow streams derived from lease or rental agreements in support of property related transactions. In this manner, we seek comfort in mitigating our risk by thoroughly assessing the ability of our borrowers to meet their payment obligations. Furthermore we have very little appetite for unsecured debt and ensure that good quality collateral is provided in support of obligations (refer to page 120 for further information).

We typically originate loans with the intent of holding these assets to maturity, and thereby developing a "hands on" and longstanding relationship with our clients. In certain instances we have elected to sell certain assets down and/or securitised them (refer to page 89 for further information).

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

### Management and measurement of credit and counterparty risk Audited

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

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

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

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

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

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

## Risk management

The internal rating models used are specific to each portfolio. The internal ratings are used as an input into the credit decision and as a means of assessing the risk of rated portfolios. Ongoing development of internal rating models has yielded good results in Project Finance, Private Bank Property, Corporate and Bank and Financial Institutions areas of operation. We remain focused on developing our models in the light of our idiosyncratic risk profile and against extreme downturn events.

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

- In relation to banks and securities firms, Fitch has been selected by us as the primary ECAI with Standard & Poor's being used as support where a Fitch rating is not available.
- In relation to sovereigns, corporates and small to medium enterprises, both Standard & Poor's and Moody's are considered to be eligible ECAIs. Where the assessments of these two ECAIs differ, the more conservative rating will be applied.

## Credit and counterparty risk in the UK and Europe

The UK and European group comprises businesses in the UK, including a branch in Ireland and banking businesses in the Channel Islands and Switzerland. Credit risk arises mainly through our Private Banking and Capital Markets activities, although some credit and counterparty risk does arise in other businesses.

### Private Banking

The Private Bank has businesses in the UK (London and Manchester), including branches in Ireland, the Channel Islands and Switzerland. Credit risk arises from the following activities which we undertake in the division: structured property finance, private client lending, specialised lending, growth and acquisition finance, and asset based lending on receivables and stock.

The Structured Property Finance area provides senior debt and secondary funding for property transactions covering the residential and commercial markets. Our exposure to the property market is well diversified. Our properties are well located residential or good quality commercial assets with recognised tenant covenant, there are also some exposures linked to asset performance. Assets are located in the UK, with limited exposure to retail property assets in Germany and Switzerland, which are anchored by major European retail covenants. Client quality and expertise are at the core of our credit philosophy. Debt service cover ratios are core to the lending process supported by reasonable loan to security values. These average at approximately 80% taking into account recent market falls. All facilities are reviewed at least annually and property values are monitored by reference to reports from our appointed panel valuation firms. Committees review and monitor our mezzanine funding exposure on a quarterly basis.

Growth and Acquisition Finance provides composite debt funding to proven management teams, running UK based mid-market companies. Transaction sizes typically range between £8 million and £20 million. Credit risk is assessed against debt service coverage from the robustness of the cash generation for the business both historically and against forecasts.

Higher risk exposures arising out of the transactions mentioned above is approximately £200 million, against a total portfolio of £3.6 billion.

Asset Based Lending provides working capital and business loans secured on collateral or assets used in the conduct of the business, for example, account receivables, inventory, plant and machinery, and property. We also provide advances against cash flow or other assets such as committed income or rights.

Specialised Lending provides bespoke credit facilities to high net worth individuals and financially sophisticated clients. We also provide funding secured on contracted cash flows, including media rights and sponsorship transactions where certainty of serviceability, client quality and expertise are key.

Private Client Lending provides bespoke mortgages and secured lending to high net worth and high income individuals. Credit risk is assessed against prudent debt servicing cover ratios. Lending is underpinned by good quality assets, including residential and commercial property, bank guarantees, discretionary investment portfolios and cash deposits. In determining serviceability, we also consider the liquidity of the client, including cash reserves and liquid asset holdings. Funding is characterised by long-term annuity income and a historically low probability of default.

Property assets are located predominantly in the UK, with some exposure to prime residential areas in Europe. All facilities are reviewed at least annually and property values are monitored by our appointed panel valuation firms. The total bespoke mortgage portfolio at 31 March 2009 was £224 million.

# Risk management

## Capital Markets

The bulk of Capital Markets activities are conducted from London and Ireland

As part of the daily management of liquidity, the treasury function places funds with banks and other financial institutions. These market counterparties are highly rated with credit risk of a systemic nature in the UK, Europe and US

Our trading portfolio consists of positions in interest rates, foreign exchange, equities, with some non precious metal positions. Credit risk arises from normal trading risks. We maintain a thorough risk process that reviews and monitors all potential credit risks inherent in customer trading facilities. These positions are marked to market daily with margin calls where necessary to mitigate credit exposure in the event of counterparty default.

Within the banking business, credit risk can arise from structured finance, project and resource financing, asset finance, acquisition finance, principal finance and corporate lending activities. There are approved limits specifying the maximum exposure to each individual counterparty, to minimise concentration risk. Facilities are secured on the assets of the underlying corporate. The credit appetite for each counterparty is based on the financial strength of the principal borrower, underlying cash flow and security. While most of the activities of our Capital Markets division are concentrated in Europe, any exposure to counterparties outside this jurisdiction is mitigated through a stringent country risk approval and monitoring process, and covered by political risk insurance where deemed appropriate.

A summary of the nature of the lending within some of the key areas within the banking business is provided below:

- **Structured and Asset Finance** – loans/leases against fixed assets linked to the success of the business they are employed in. These transactions amortise from anticipated cash flows.
- **Project Finance** – provides advisory, debt and equity arranging services to renewable energy projects and public/private projects e.g. roads, hospitals, prisons. Loans are secured on the project themselves with a high degree of due diligence around both the delivery risks and the cash flow to repay any facilities.
- **Acquisition Finance** – participation in senior debt facilities in the leveraged buy-out market relating to medium to large corporates. Maximum exposure is approximately £20 million per entity, giving portfolio diversity.
- **Principal Finance** – securitisation of our assets, predominantly residential and commercial mortgages. There is modest investment and trading in structured credit investments (see page 89 for further information).
- **Commodities and Resource Finance** – working capital lending and commodity price risk hedging to base and precious metal producing entities. Provable reserves and good cash flow generation is paramount in the credit decision process.

## Investment Banking

Counterparty risk in this area is modest. All share underwriting is fully sub-underwritten with well known market counterparties. The business also trades approved shares on an approved basis and makes markets in shares where we are appointed corporate broker under pre-agreed market risk limits.

Settlement trades are all on a delivery versus payment basis, through major stock exchanges. Credit risk only occurs in the event of counterparty failure and would be linked to any mark to market losses on the underlying security.

## Asset Management

Investec Asset Management Limited regularly transacts with well known rated market counterparties. These are all on an exchange traded delivery versus payment basis and exposure is to a move in the underlying security in the unlikely event a counterparty fails.

## Credit and counterparty risk in South Africa

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

### Private Banking

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

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

## Risk management

The combination of low probability of default clients (due to our niche focus) and appropriate loan to value ratios results in a low level of expected loss which has been borne out by historical experience of actual losses. The global financial crisis impacted negatively on defaults and impairments across the residential and commercial property portfolios in the fourth quarter of 2008 and first quarter of 2009. These defaults are mainly made up of a relatively small number of clients. Further information is provided on pages 118 and 119.

### Capital Markets

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

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

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

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

### Reichmans Capital

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

### Credit and counterparty risk in Mauritius

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

### Credit and counterparty risk in Australia

Investec Bank (Australia) Limited operates within a clearly defined framework for managing credit risk. The policies and procedures for credit risk management are consistent with those of the group and comply with the prudential standards issued by the APRA.

Credit and counterparty risk is assumed through transacting with target private and corporate clients, project and resource finance, and the placement of surplus liquidity with highly rated domestic banks and financial institutions. Details with respect to the nature of the credit and counterparty risk assumed is similar to that of the activity conducted within our UK operations.

### Asset quality analysis - credit risk classification and provisioning policy Audited

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

The information provided below reflects the guidelines and definitions that have been applied in assessing the asset quality of credit exposures (see page 106). The impairment definitions and guidelines are consistent with IFRS. IFRS differs from the requirements laid out in the "International Convergence of Capital Measurement and Capital Standards" Basel II framework which has been adopted by the banking regulators in all of the locales in which we have operations. IFRS focuses on the concept of incurred loss, whereas Basel II centres on the concept of expected loss. The reconciling differences are primarily due to the fact that IFRS impairments only reflect a decrease in the value of assets with credit risk where a "loss trigger event" has occurred, and only that portion of the expected loss which has actually been incurred at the reporting date. A loss trigger event is an event which exhibits a high correlation to the crystallisation of loss.



## Risk management

| Regulatory and economic capital classification | IFRS impairment treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Arrears, default and recoveries classification category | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Performing assets                              | <p>For assets which form part of a homogenous portfolio, a portfolio impairment is required which recognises asset impairments that have not been individually identified</p> <p>The portfolio impairment takes into account past events and does not cover impairments to exposures arising out of uncertain future events</p> <p>By definition, this impairment is only calculated for credit exposures which are managed on a portfolio basis and only for assets where a loss trigger event has occurred</p>                                                                                                                                                                                                                                                                      | Past due                                                | An account is considered to be past due when it is greater than zero and less than or equal to 60 days past due the contractual/ credit agreed payment due date, although management is not concerned and there is confidence in the counterparty's ability to repay the past due obligations                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Special mention                                         | <p>The counterparty is placed in special mention when that counterparty is considered to be experiencing difficulties that may threaten the counterparty's ability to fulfil their credit obligation to the group (i.e. Credit Committee is concerned) For the following reasons</p> <ul style="list-style-type: none"> <li>• Covenant breaches,</li> <li>• There is a slowdown in the counterparty's business activity,</li> <li>• An adverse trend in operations that signals a potential weakness in the financial strength of the counterparty, or</li> <li>• Any re-structured credit exposures until appropriate Credit Committee decides otherwise</li> </ul> <p>Ultimate loss is not expected, but may occur if adverse conditions persist</p> <p>Supplementary reporting categories</p> <ul style="list-style-type: none"> <li>• Credit exposures overdue 1 - 60 days</li> <li>• Credit exposures overdue 61 - 90 days</li> </ul> |
| Assets in default                              | <p>Specific impairments are evaluated on a case-by-case basis where objective evidence of impairment has arisen. In determining specific impairments, the following factors are considered</p> <ul style="list-style-type: none"> <li>• Capability of the client to generate sufficient cash flow to service debt obligations and the ongoing viability of the client's business</li> <li>• Likely dividend or amount recoverable on liquidation or bankruptcy</li> <li>• Nature and extent of claims by other creditors</li> <li>• Amount and timing of expected cash flows</li> <li>• Realisable value of security held (or other credit mitigants)</li> <li>• Ability of the client to make payments in the foreign currency, for foreign currency denominated accounts</li> </ul> | Sub-standard                                            | <p>The counterparty is placed in sub-standard when the credit exposure reflects an underlying, well defined weakness that may lead to probable loss if not corrected</p> <ul style="list-style-type: none"> <li>• The risk that such credit exposure may become an impaired asset is probable,</li> <li>• The bank is relying, to a large extent, on available collateral, or</li> <li>• The primary sources of repayment are insufficient to service the remaining contractual principal and interest amounts, and the bank has to rely on secondary sources for repayment. These secondary sources may include collateral, the sale of a fixed asset, refinancing and further capital</li> </ul> <p>Credit exposures overdue for more than 90 days will at a minimum be included in "Sub-standard" (or a lower quality category)</p>                                                                                                     |
|                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Doubtful                                                | <ul style="list-style-type: none"> <li>• The counterparty is placed in doubtful when the credit exposure is considered to be impaired but not yet considered a final loss due to some pending factors such as a merger, new financing or capital injection which may strengthen the quality of the relevant exposure</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Loss                                                    | <ul style="list-style-type: none"> <li>• A counterparty is placed in the loss category when the credit exposure is considered to be uncollectible once all efforts, such as realisation of collateral and institution of legal proceedings, have been exhausted, or</li> <li>• Assets in this category are expected to be written off in the short-term since the likelihood of future economic benefits resulting from such assets is remote</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## Risk management

### Credit risk mitigation Audited

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

The bulk of collateral taken by the Private Bank, which makes up a substantial portion of on balance sheet assets, is commercial and residential real estate. Commercial real estate generally takes the form of good quality property often underpinned by strong third party leases. Residential property is also generally of a high quality and based in desirable locations. In the year under review, there was downward pressure on the value of commercial and residential real estate as a result of the global economic slowdown in all our key operating jurisdictions (UK, South Africa and Australia). This has resulted in an increased focus on residential and commercial property valuations.

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

Property is split between residential and commercial classes with commercial consisting of investment and development sub classes. Development property is further analysed into Residential Land, Residential Buildings, Commercial Industrial, Commercial Retail and Commercial Office.

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

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

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

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

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

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

An analysis of collateral is provided on page 120.

### Credit and counterparty risk year in review

#### UK and Europe

The year in review has seen large market volatilities caused by the global financial market crisis and the subsequent economic downturn. Through prudent risk management, exposures to large well published, distressed, bankrupted and failed counterparties have been avoided or losses substantially minimised.

The worsening economy has made it more difficult to re-finance or sell assets due to reduced liquidity and vastly lower asset prices in the market for all asset classes, in particular property, equities and commodities. Many traditional purchasers of assets either have not been able to raise funding to acquire new assets, or believe that assets will continue to cheapen and are cautious in their approach to new acquisitions. The slowdown has affected most asset classes and we have seen both property and corporate lending being negatively impacted particularly from diminishing asset values.

Core loans and advances increased by 13.1% to £6.0 billion, primarily as a result of currency fluctuations rather than increased lending activity. Approximately 20% of the book is denominated in Euro which has strengthened against Pounds Sterling in the year under review.

Default loans (net of impairments) have increased from 2.3% to 3.6% of core loans and advances, but remain within tolerable levels. The credit loss ratio has increased from 0.5% to 1.6%. All accounts are proactively managed and customers have demonstrated ability to service loans where assets have not been sold. The relatively low interest rate environment has enabled clients to bear the fairly low interest burden attached to their debt for longer periods. Holding assets for longer periods has thus allowed customers to avoid forced sale scenarios which may have exacerbated already depressed asset values. The performance of all accounts is regularly reviewed by the independent credit function and impairments taken as necessary. As a risk management strategy, prudent account management is formulated over asset growth.

Within our Capital Markets division we have experienced increased defaults in our Acquisition Finance, Resource Finance and small ticket leasing businesses.

- Acquisition Finance: counterparties in the automotive, construction and leisure sectors in particular have experienced severe cash flow pressures. Our exposures are all senior secured facilities. We expect further difficulties to be experienced in this book as consumer facing counterparties' cash flows weaken.

## Risk management

- Resource Finance junior- to mid-cap mining operators have suffered from the collapse in commodity prices and the drying up of equity finance. We are in active negotiations regarding the refinancing of several of our larger facilities. We expect to receive repayment on a significant proportion of our book over the next few months.

Activity in the Private Banking business diminished significantly in the second half of the financial year. The business unit members as well as members of the Group Risk division have proactively assessed the entire loan book to ascertain where the bank may be exposed to increased risk. Where customers have experienced financial difficulty we have worked with them to arrive at an optimal solution including change of use for certain property related transactions and extensions of time for properties that are servicing their debt obligations. Where private clients have supported a transaction by way of personal guarantees, and the original exit was through the sale of assets and such sale would severely diminish the profitability of a project, we may agree an extension of term to achieve an orderly exit.

The Kensington mortgage book continues to perform within expectations taking into account the economic landscape.

The Group Risk division will continue to work closely with the business units over the course of the next financial year to manage the risks in the lending portfolios. The focus will be on active book management whilst scanning the market for opportunities that present themselves.

### Southern Africa

The past financial year has seen a number of trends and factors impacting on the credit quality and assessment of credit and counterparty risk.

- The global financial crisis had a negative impact on the domestic economic cycle, especially in the fourth quarter of 2008 and first quarter of 2009.
- Liquidity constraints and general tightening in liquidity across the industry.
- Conservative lending approach from the banking sector and the effects of repricing.
- A high interest rate environment with consumers reducing discretionary spending.
- High inflation numbers which delayed the central bank in reducing the repurchase rate.
- High levels of rand volatility against major trading currencies (Euro, US Dollar and Pounds Sterling).
- Market volatility with the main exchange (JSE) reflecting a reduction of 31.1% on a year on year basis.
- Collapse in commodity prices and continued volatility.
- Low or negative growth in the residential and commercial property markets.

The South African property market has been under pressure for the year in review. We are conscious of the effect of the slowdown of growth in the property market (both global and local) and the slowing economic cycle that have put pressure on our property portfolios. The high net worth and/or stable income streams of our target market clients provides a level of protection from decreases in property values. Over the past few years as property values increased, many clients built an effective equity buffer, resulting in lower average loan to value ratios which have reduced potential losses on depreciation of values.

As at 31 March 2009 the average loan to value ratio within the property development portfolio stood at 52% based on net sell out values.

An increase in client flow, together with greater hedging activity (due to higher levels of volatility), has resulted in increased profitability and exposure in the Treasury Foreign Exchange business.

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

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

For assets written during the current year there has been strict adherence to lower loan to value lending and increased pricing requirements.

Credit quality on gross core loans and advances deteriorated throughout the year under review (notably from September 2008), with the majority of impairments raised in the Private Bank division, distributed between the residential and commercial property portfolios which are made up of a relatively small number of clients.

Investec Capital Markets reported 3 material defaults in Specialised Finance and Resource Finance respectively, which were impaired accordingly. Investec Bank (Maunius) reported 1 material default as at year end.

Core loans and advances portfolio increased by 16.3% to R120.4 billion. The quality of the overall loans and advances portfolio in Southern Africa deteriorated as a result of the global financial crisis with default loans (net of impairments) as a percentage of core loans and advances increasing from 0.7% to 2.2%. The credit loss ratio has increased from 0.5% to 0.7%. Due to the deteriorating asset quality a lot of emphasis has been placed on the strengthening of recoveries and administrative areas and increased involvement from executive and senior management to deal with potential problematic loans and working on the best outcome/solution for our clients and ourselves.

# Risk management

## Australia

During the year core loans and advances to customers increased by 13.2% to AUD2.9 billion, predominantly through selective growth within the professional finance business unit, which provides finance to targeted members of the medical and accounting professions.

There has been deterioration in credit quality throughout the year under review. Defaults (net of impairments) have risen to 9.6% of core loans and advances and the credit loss ratio has increased from 0.7% to 1.7%. A continued focus on asset quality remains fundamental to our approach to the challenging credit environment.

## Credit and counterparty risk information

Pages 91 to 99 describe where and how credit and counterparty risk exists in our operations. The tables that follow provide an analysis of our credit and counterparty exposures.

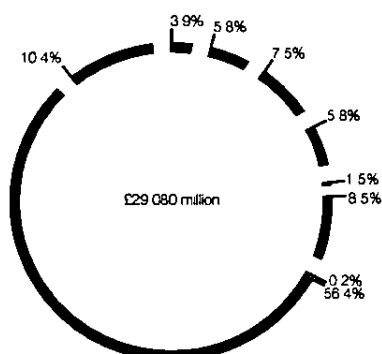
### An analysis of gross credit and counterparty exposures

| £'000                                                                                     | 31 March 2009 | 31 March 2008 | % change | Average*   |
|-------------------------------------------------------------------------------------------|---------------|---------------|----------|------------|
| <b>Audited</b>                                                                            |               |               |          |            |
| On-balance sheet exposures                                                                | 26,044,284    | 21,661,399    | 20.2%    | 23,852,844 |
| Securitisation exposures arising from securitisation/principal finance activities         | 1,132,465     | 861,766       | 31.4%    | 997,117    |
| Rated instruments                                                                         | 243,344       | 121,127       | >100.0%  | 182,236    |
| Unrated instruments                                                                       | 274,150       | 291,665       | (6.0%)   | 282,908    |
| Other                                                                                     | 614,971       | 448,974       | 37.0%    | 531,973    |
| Debt instruments (NCDs, bonds held, debentures)                                           | 1,702,216     | 1,594,676     | 6.7%     | 1,648,446  |
| Bank placements                                                                           | 2,185,643     | 2,438,631     | (10.4%)  | 2,312,137  |
| Sovereign, government placements                                                          | 1,687,885     | 1,002,781     | 68.3%    | 1,345,333  |
| Call facilities (non-bank entities)                                                       | 423,923       | 493,257       | (14.1%)  | 458,590    |
| Trading exposures (positive fair value excluding potential future exposures)              | 2,473,241     | 2,056,412     | 20.3%    | 2,264,827  |
| Other credit exposures                                                                    | 45,708        | 306,109       | (85.1%)  | 175,909    |
| Gross core loans and advances to customers**                                              | 16,393,203    | 12,907,767    | 27.0%    | 14,650,485 |
| Off-balance sheet exposures                                                               | 3,035,446     | 3,374,450     | (10.0%)  | 3,204,948  |
| Guarantees                                                                                | 570,368       | 435,098       | 31.1%    | 502,733    |
| Contingent liabilities, committed facilities, other                                       | 2,465,078     | 2,939,352     | (16.1%)  | 2,702,215  |
| Total gross credit and counterparty exposures pre collateral or other credit enhancements | 29,079,730    | 25,035,849    | 16.2%    | 27,057,792 |

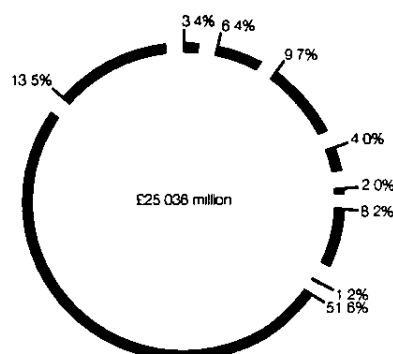
\* Where the average is based on a straight line average

\*\* As calculated on page 106

31 March 2009



31 March 2008



- Securitisation exposures
- Sovereign, government placements
- Other credit exposures
- Debt instruments
- Call facilities (non-bank entities)
- Gross core loans and advances to customers
- Bank placements
- Trading exposures
- Off-balance sheet exposures



## Risk management

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

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

| £'000<br>Audited                                                         | Securitisation exposures arising from securitisation/<br>principal finance activities |                      |                        |                | Debt<br>instruments<br>(NCDs,<br>bonds held,<br>debentures) |
|--------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------|------------------------|----------------|-------------------------------------------------------------|
|                                                                          | Total                                                                                 | Rated<br>instruments | Unrated<br>instruments | Other          |                                                             |
| <b>As at 31 March 2009</b>                                               |                                                                                       |                      |                        |                |                                                             |
| Cash and balances at central banks                                       | -                                                                                     | -                    | -                      | -              | -                                                           |
| Loans and advances to banks                                              | -                                                                                     | -                    | -                      | -              | -                                                           |
| Cash equivalent advances to customers                                    | -                                                                                     | -                    | -                      | -              | -                                                           |
| Reverse repurchase agreements and cash collateral on securities borrowed | -                                                                                     | -                    | -                      | -              | -                                                           |
| Trading securities                                                       | 46 861                                                                                | 336                  | 41 964                 | 4 561          | 686 893                                                     |
| Derivative financial instruments                                         | 31 733                                                                                | -                    | -                      | 31 733         | -                                                           |
| Investment securities                                                    | 538                                                                                   | -                    | 538                    | -              | 954 422                                                     |
| Loans and advances to customers                                          | 280 639                                                                               | 141 352              | 44 830                 | 94 457         | -                                                           |
| Loans and advances to customers - Kensington warehouse assets            | 474 302                                                                               | -                    | -                      | 474 302        | -                                                           |
| Securitised assets                                                       | 293 634                                                                               | 101 656              | 186 818                | 5 160          | -                                                           |
| Deferred taxation assets                                                 | -                                                                                     | -                    | -                      | -              | -                                                           |
| Other assets                                                             | 4 758                                                                                 | -                    | -                      | 4 758          | 60 901                                                      |
| Interests in associated undertakings                                     | -                                                                                     | -                    | -                      | -              | -                                                           |
| Property and equipment                                                   | -                                                                                     | -                    | -                      | -              | -                                                           |
| Investment property                                                      | -                                                                                     | -                    | -                      | -              | -                                                           |
| Goodwill                                                                 | -                                                                                     | -                    | -                      | -              | -                                                           |
| Intangible assets                                                        | -                                                                                     | -                    | -                      | -              | -                                                           |
| Insurance assets                                                         | -                                                                                     | -                    | -                      | -              | -                                                           |
| <b>Total</b>                                                             | <b>1 132 465</b>                                                                      | <b>243 344</b>       | <b>274 150</b>         | <b>614 971</b> | <b>1 702 216</b>                                            |
| <b>As at 31 March 2008</b>                                               |                                                                                       |                      |                        |                |                                                             |
| Cash and balances at central banks                                       | -                                                                                     | -                    | -                      | -              | -                                                           |
| Loans and advances to banks                                              | -                                                                                     | -                    | -                      | -              | 712                                                         |
| Cash equivalent advances to customers                                    | -                                                                                     | -                    | -                      | -              | -                                                           |
| Reverse repurchase agreements and cash collateral on securities borrowed | -                                                                                     | -                    | -                      | -              | -                                                           |
| Trading securities                                                       | 154 872                                                                               | 57 563               | 87 332                 | 9 977          | 548 917                                                     |
| Derivative financial instruments                                         | 8 995                                                                                 | -                    | -                      | 8 995          | -                                                           |
| Investment securities                                                    | 3 850                                                                                 | -                    | 3 850                  | -              | 1 045 047                                                   |
| Loans and advances to customers                                          | 443 238                                                                               | 13 236               | -                      | 430 002        | -                                                           |
| Securitised assets                                                       | 250 811                                                                               | 50 328               | 200 483                | -              | -                                                           |
| Deferred taxation assets                                                 | -                                                                                     | -                    | -                      | -              | -                                                           |
| Other assets                                                             | -                                                                                     | -                    | -                      | -              | -                                                           |
| Interests in associated undertakings                                     | -                                                                                     | -                    | -                      | -              | -                                                           |
| Property and equipment                                                   | -                                                                                     | -                    | -                      | -              | -                                                           |
| Investment property                                                      | -                                                                                     | -                    | -                      | -              | -                                                           |
| Goodwill                                                                 | -                                                                                     | -                    | -                      | -              | -                                                           |
| Intangible assets                                                        | -                                                                                     | -                    | -                      | -              | -                                                           |
| Insurance assets                                                         | -                                                                                     | -                    | -                      | -              | -                                                           |
| <b>Total</b>                                                             | <b>861 766</b>                                                                        | <b>121 127</b>       | <b>291 665</b>         | <b>448 974</b> | <b>1 594 676</b>                                            |

#### Notes

- <sup>1</sup> Largely relates to exposures that are classified as equity risk in the banking book. Further information is provided on pages 121 to 123.
- <sup>2</sup> Largely relates to impairments and the impact of hedge accounting.
- <sup>3</sup> Whilst the group manages all risks (including credit risk) from a day to day operational perspective, these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle. The table above reflects the net credit exposure in the vehicles that the group has reflected in the "total credit and counterparty exposure" with the maximum credit exposure referenced to credit providers external to the group in the column headed "assets that we do not hold legal credit risk or have no credit risk".
- <sup>4</sup> Largely relates to net investments in Kensington securitised vehicles to which Investec has no direct exposure as discussed on pages 52 and 53. Also includes liquidity facilities provided to third party corporate securitisation vehicles in South Africa. These facilities have remained undrawn and are reflected as a contingent liability, i.e. off-balance sheet exposure of the bank.

| Bank placements | Sovereign, government placements | Call facilities (non-bank entities) | Trading exposures (positive fair value excluding potential future exposures) | Other credit exposures | Gross core loans and advances to customers | Total credit and counterparty exposure | Assets that we deem to have no legal credit exposure | Note reference | Total balance sheet |
|-----------------|----------------------------------|-------------------------------------|------------------------------------------------------------------------------|------------------------|--------------------------------------------|----------------------------------------|------------------------------------------------------|----------------|---------------------|
| 2 582           | 1 101 552                        | -                                   | 935                                                                          | -                      | -                                          | 1 105 069                              | 20                                                   |                | 1 105 089           |
| 1 983 044       | -                                | -                                   | 34 944                                                                       | 101                    | -                                          | 2 018 089                              | -                                                    |                | 2 018 089           |
| -               | -                                | 379 978                             | 12 918                                                                       | 3 277                  | -                                          | 396 173                                | -                                                    |                | 396 173             |
| 144 129         | -                                | 43 945                              | 381 696                                                                      | -                      | -                                          | 569 770                                | -                                                    |                | 569 770             |
| -               | 540 238                          | -                                   | 498 329                                                                      | -                      | -                                          | 1 772 321                              | 541 524                                              | 1              | 2 313 845           |
| -               | -                                | -                                   | 1 257 912                                                                    | 7 758                  | -                                          | 1 297 403                              | 285 505                                              | 1              | 1 582 908           |
| -               | 46 095                           | -                                   | -                                                                            | 16                     | -                                          | 1 001 071                              | 62 498                                               |                | 1 063 569           |
| -               | -                                | -                                   | -                                                                            | -                      | 15 264 870                                 | 15 545 509                             | (154 990)                                            | 2              | 15 390 519          |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | 474 302                                | 1 423 576                                            | 3              | 1 897 878           |
| -               | -                                | -                                   | -                                                                            | -                      | 1 128 333                                  | 1 421 967                              | 4 206 380                                            | 4              | 5 628 347           |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 136 757                                              |                | 136 757             |
| 55 888          | -                                | -                                   | 286 507                                                                      | 34 556                 | -                                          | 442 610                                | 451 452                                              |                | 894 062             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 93 494                                               |                | 93 494              |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 174 532                                              |                | 174 532             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 189 156                                              |                | 189 156             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 255 972                                              |                | 255 972             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 34 402                                               |                | 34 402              |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 3 360 106                                            |                | 3 360 106           |
| 2 185 643       | 1 687 885                        | 423 923                             | 2 473 241                                                                    | 45 708                 | 16 393 203                                 | 26 044 284                             | 11 060 384                                           |                | 37 104 668          |
| 7 223           | 779 789                          | -                                   | 1 434                                                                        | -                      | -                                          | 788 446                                | 26                                                   |                | 788 472             |
| 2 042 915       | -                                | -                                   | 28 564                                                                       | 81 582                 | -                                          | 2 153 773                              | -                                                    |                | 2 153 773           |
| -               | -                                | 481 300                             | 23 023                                                                       | -                      | -                                          | 504 323                                | 59                                                   |                | 504 382             |
| 188 466         | -                                | 11 936                              | 484 492                                                                      | -                      | -                                          | 684 894                                | 109 259                                              |                | 794 153             |
| 199 874         | 214 874                          | -                                   | 221 633                                                                      | 17 338                 | -                                          | 1 357 508                              | 627 072                                              |                | 1 984 580           |
| -               | -                                | -                                   | 1 067 515                                                                    | -                      | -                                          | 1 076 510                              | 228 754                                              |                | 1 305 264           |
| -               | 8 118                            | -                                   | 27                                                                           | 111                    | -                                          | 1 057 153                              | 73 719                                               |                | 1 130 872           |
| -               | -                                | -                                   | -                                                                            | -                      | 11 993 963                                 | 12 437 201                             | 1 608 934                                            |                | 14 046 135          |
| -               | -                                | -                                   | -                                                                            | -                      | 913 804                                    | 1 164 615                              | 4 918 360                                            |                | 6 082 975           |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 84 493                                               |                | 84 493              |
| 153             | -                                | 21                                  | 229 724                                                                      | 207 078                | -                                          | 436 976                                | 445 233                                              |                | 882 209             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 82 576                                               |                | 82 576              |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 141 352                                              |                | 141 352             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 134 975                                              |                | 134 975             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 271 932                                              |                | 271 932             |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 31 506                                               |                | 31 506              |
| -               | -                                | -                                   | -                                                                            | -                      | -                                          | -                                      | 3 683 903                                            |                | 3 683 903           |
| 2 438 631       | 1 002 781                        | 493 257                             | 2 056 412                                                                    | 306 109                | 12 907 767                                 | 21 661 399                             | 12 442 153                                           |                | 34 103 552          |

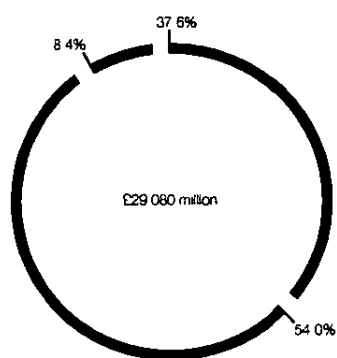


## Risk management

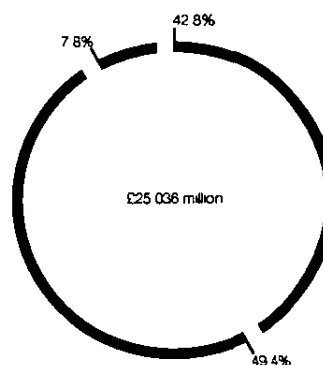
### An analysis of gross credit and counterparty exposures by geography

| £'000                                                                                     | UK and Europe |               | Southern Africa |               | Australia     |               | Total         |               |
|-------------------------------------------------------------------------------------------|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| Audited                                                                                   | 31 March 2009 | 31 March 2008 | 31 March 2009   | 31 March 2008 | 31 March 2009 | 31 March 2008 | 31 March 2009 | 31 March 2008 |
| On-balance sheet exposures                                                                | 10 458 448    | 9 775 140     | 13 296 566      | 10 195 495    | 2 289 270     | 1 690 764     | 26 044 284    | 21 661 399    |
| Securitisation exposures arising from securitisation/principal finance activities         | 1 001 191     | 821 378       | 131 274         | 40 388        | -             | -             | 1 132 465     | 861 766       |
| Rated instruments                                                                         | 243 344       | 121 127       | -               | -             | -             | -             | 243 344       | 121 127       |
| Unrated instruments                                                                       | 226 703       | 278 988       | 47 447          | 12 677        | -             | -             | 274 150       | 291 665       |
| Other                                                                                     | 531 144       | 421 263       | 83 827          | 27 711        | -             | -             | 614 971       | 448 974       |
| Debt instruments (NCDs, bonds held, debentures)                                           | 289 838       | 762 531       | 779 242         | 530 954       | 633 136       | 301 191       | 1 702 216     | 1 594 676     |
| Bank placements                                                                           | 1 044 213     | 909 837       | 1 008 501       | 1 384 861     | 132 929       | 143 933       | 2 185 643     | 2 438 631     |
| Sovereign, government placements                                                          | 916 748       | 616 122       | 771 137         | 386 659       | -             | -             | 1 687 885     | 1 002 781     |
| Call facilities (non-bank entities)                                                       | -             | -             | 423 923         | 493 257       | -             | -             | 423 923       | 493 257       |
| Trading exposures (positive fair value excluding potential future exposures)              | 1 155 297     | 1 100 903     | 1 218 544       | 891 505       | 99 400        | 64 004        | 2 473 241     | 2 056 412     |
| Other credit exposures                                                                    | 12 575        | 268 656       | 33 133          | 37 453        | -             | -             | 45 708        | 306 109       |
| Gross core loans and advances to customers                                                | 6 038 586     | 5 295 713     | 8 930 812       | 6 430 418     | 1 423 805     | 1 181 636     | 16 393 203    | 12 907 767    |
| Off-balance sheet exposures                                                               | 486 136       | 948 139       | 2 400 469       | 2 166 703     | 148 841       | 259 608       | 3 035 446     | 3 374 450     |
| Guarantees                                                                                | 32 909        | 50 256        | 508 118         | 338 098       | 29 341        | 46 744        | 570 368       | 435 098       |
| Contingent liabilities committed facilities, other                                        | 453 227       | 897 883       | 1 892 351       | 1 828 605     | 119 500       | 212 864       | 2 465 078     | 2 939 352     |
| Total gross credit and counterparty exposures pre collateral or other credit enhancements | 10 944 584    | 10 723 279    | 15 697 035      | 12 362 198    | 2 438 111     | 1 950 372     | 29 079 730    | 25 035 849    |

31 March 2009



31 March 2008



UK and Europe

Southern Africa

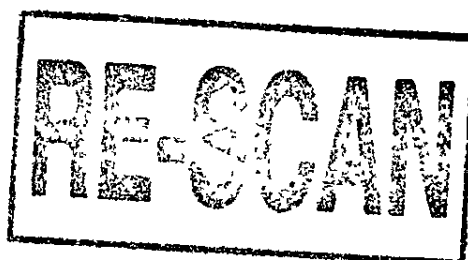
Australia

## Risk management

### Summary analysis of gross credit and counterparty exposures by industry

| £'000                                         | Gross core loans and advances |               | Other credit and counterparty exposures |               | Total         |               |
|-----------------------------------------------|-------------------------------|---------------|-----------------------------------------|---------------|---------------|---------------|
|                                               | 31 March 2009                 | 31 March 2008 | 31 March 2009                           | 31 March 2008 | 31 March 2009 | 31 March 2008 |
| HNW and professional individuals              | 11 166 476                    | 7 947 927     | 2 350 916                               | 2 453 598     | 13 517 392    | 10 401 525    |
| Agriculture                                   | 71 116                        | 98 121        | 4 007                                   | 18 913        | 75 123        | 117 034       |
| Electricity, gas and water (utility services) | 165 475                       | 125 913       | 50 234                                  | 13 047        | 215 709       | 138 960       |
| Public and non-business services              | 269 928                       | 275 884       | 1 695 168                               | 1 040 223     | 1 965 096     | 1 316 107     |
| Business services                             | 216 286                       | 378 634       | 57 518                                  | 120 379       | 273 804       | 499 013       |
| Finance and insurance                         | 1 161 634                     | 760 998       | 6 877 722                               | 6 485 153     | 8 039 356     | 7 246 151     |
| Retailers and wholesalers                     | 344 903                       | 315 103       | 178 976                                 | 126 272       | 523 879       | 441 375       |
| Manufacturing and commerce                    | 649 240                       | 620 943       | 293 109                                 | 288 177       | 942 349       | 909 120       |
| Real estate                                   | 1 074 856                     | 1 402 469     | 807 191                                 | 951 869       | 1 882 047     | 2 354 338     |
| Mining and resources                          | 250 383                       | 181 382       | 200 908                                 | 217 852       | 451 291       | 399 234       |
| Leisure, entertainment and tourism            | 334 444                       | 305 983       | 18 755                                  | 24 485        | 353 199       | 330 468       |
| Transport and communication                   | 688 462                       | 494 410       | 70 068                                  | 158 223       | 758 530       | 652 633       |
| Other*                                        | -                             | -             | 81 955                                  | 229 891       | 81 955        | 229 891       |
| Total                                         | 16 393 203                    | 12 907 767    | 12 686 527                              | 12 128 082    | 29 079 730    | 25 035 849    |

\* Only includes securitised exposures where the industry is not clearly defined



# Risk management

## Detailed analysis of gross credit and counterparty exposures by industry

| £'000                                                                                            | HNW and professional individuals | Agriculture    | Electricity, gas and water (utility services) | Public and non-business services | Business services | Finance and insurance |
|--------------------------------------------------------------------------------------------------|----------------------------------|----------------|-----------------------------------------------|----------------------------------|-------------------|-----------------------|
| <b>As at 31 March 2009</b>                                                                       |                                  |                |                                               |                                  |                   |                       |
| On-balance sheet exposures                                                                       | 11 191 566                       | 75 123         | 194 043                                       | 1 958 081                        | 257 100           | 7 694 163             |
| Securitisation exposures arising from securitisation/principal finance activities                | -                                | -              | -                                             | -                                | -                 | 300 667               |
| Rated instruments                                                                                | -                                | -              | -                                             | -                                | -                 | 122 966               |
| Unrated instruments                                                                              | -                                | -              | -                                             | -                                | -                 | 86 585                |
| Other                                                                                            | -                                | -              | -                                             | -                                | -                 | 91 116                |
| Debt instruments (NCDs, bonds held, debentures)                                                  | -                                | -              | 4 413                                         | -                                | -                 | 1 678 876             |
| Bank placements                                                                                  | -                                | -              | -                                             | -                                | -                 | 2 185 643             |
| Sovereign, government placements                                                                 | -                                | -              | -                                             | 1 687 885                        | -                 | -                     |
| Call facilities (non-bank entities)                                                              | -                                | 3 725          | 18 230                                        | -                                | 27 171            | 95 729                |
| Trading exposures (positive fair value excluding potential future exposures)                     | 15 780                           | 274            | 5 895                                         | 186                              | 13 555            | 2 258 435             |
| Other credit exposures                                                                           | 9 310                            | 8              | 30                                            | 82                               | 88                | 13 179                |
| Gross core loans and advances to customers                                                       | 11 166 476                       | 71 116         | 165 475                                       | 269 928                          | 216 286           | 1 161 634             |
| Off-balance sheet exposures                                                                      | 2 325 826                        | -              | 21 666                                        | 7 015                            | 16 704            | 345 193               |
| Guarantees                                                                                       | 466 475                          | -              | 43                                            | 19                               | 7 855             | 15 212                |
| Contingent liabilities, committed facilities and other                                           | 1 859 351                        | -              | 21 623                                        | 6 996                            | 8 849             | 329 981               |
| <b>Total gross credit and counterparty exposures pre collateral or other credit enhancements</b> | <b>13 517 392</b>                | <b>75 123</b>  | <b>215 709</b>                                | <b>1 965 096</b>                 | <b>273 804</b>    | <b>8 039 356</b>      |
| <b>As at 31 March 2008</b>                                                                       |                                  |                |                                               |                                  |                   |                       |
| On-balance sheet exposures                                                                       | 8 220 078                        | 116 206        | 133 532                                       | 1 291 898                        | 475 772           | 6 707 468             |
| Securitisation exposures arising from securitisation/principal finance activities                | -                                | -              | -                                             | -                                | -                 | 27 710                |
| Rated instruments                                                                                | -                                | -              | -                                             | -                                | -                 | -                     |
| Unrated instruments                                                                              | -                                | -              | -                                             | -                                | -                 | -                     |
| Other                                                                                            | -                                | -              | -                                             | -                                | -                 | 27 710                |
| Debt instruments (NCDs, bonds held, debentures)                                                  | -                                | -              | 2 639                                         | 3 278                            | -                 | 1 582 919             |
| Bank placements                                                                                  | -                                | -              | -                                             | -                                | -                 | 2 438 631             |
| Sovereign, government placements                                                                 | -                                | -              | -                                             | 1 002 781                        | -                 | -                     |
| Call facilities (non-bank entities)                                                              | -                                | 17 437         | 3 818                                         | 941                              | 72 682            | 92 697                |
| Trading exposures (positive fair value excluding potential future exposures)                     | 28 486                           | 648            | 1 162                                         | 8 794                            | 1 428             | 1 795 958             |
| Other credit exposures                                                                           | 243 665                          | -              | -                                             | 220                              | 23 028            | 8 555                 |
| Gross core loans and advances to customers                                                       | 7 947 927                        | 98 121         | 125 913                                       | 275 884                          | 378 634           | 760 998               |
| Off-balance sheet exposures                                                                      | 2 181 447                        | 828            | 5 428                                         | 24 209                           | 23 241            | 538 683               |
| Guarantees                                                                                       | 285 865                          | 83             | 3 551                                         | 5 319                            | 259               | 52 251                |
| Contingent liabilities, committed facilities and other                                           | 1 895 582                        | 745            | 1 877                                         | 18 890                           | 22 982            | 486 432               |
| <b>Total gross credit and counterparty exposures pre collateral or other credit enhancements</b> | <b>10 401 525</b>                | <b>117 034</b> | <b>138 960</b>                                | <b>1 316 107</b>                 | <b>499 013</b>    | <b>7 246 151</b>      |

- \* A further analysis of our private banking loan book is provided on page 42
- \* Largely relating to our principal finance/securitisation activities

| Retailers and<br>wholesalers | Manu-<br>facturing and<br>commerce | Real<br>estate | Mining and<br>resources | Leisure,<br>entertainment<br>and tourism | Transport<br>and com-<br>munication | Other** | Total      |
|------------------------------|------------------------------------|----------------|-------------------------|------------------------------------------|-------------------------------------|---------|------------|
| 484 081                      | 792 713                            | 1 852 816      | 397 242                 | 334 731                                  | 730 670                             | 81 955  | 26 044 284 |
| 9 270                        | -                                  | 740 573        | -                       | -                                        | -                                   | 81 955  | 1 132 465  |
| -                            | -                                  | 57 438         | -                       | -                                        | -                                   | 62 940  | 243 344    |
| 4 110                        | -                                  | 182 708        | -                       | -                                        | -                                   | 747     | 274 150    |
| 5 160                        | -                                  | 500 427        | -                       | -                                        | -                                   | 18 268  | 614 971    |
| 5 157                        | -                                  | -              | 11 722                  | -                                        | 2 048                               | -       | 1 702 216  |
| -                            | -                                  | -              | -                       | -                                        | -                                   | -       | 2 185 643  |
| -                            | -                                  | -              | -                       | -                                        | -                                   | -       | 1 687 885  |
| 115 122                      | 117 371                            | -              | 20 093                  | -                                        | 26 482                              | -       | 423 923    |
| 6 744                        | 13 512                             | 36 576         | 109 002                 | 85                                       | 13 197                              | -       | 2 473 241  |
| 2 885                        | 12 590                             | 811            | 6 042                   | 202                                      | 481                                 | -       | 45 708     |
| 344 903                      | 649 240                            | 1 074 856      | 250 383                 | 334 444                                  | 688 462                             | -       | 16 393 203 |
| 39 798                       | 149 636                            | 29 231         | 54 049                  | 18 468                                   | 27 860                              | -       | 3 035 446  |
| 15 044                       | 38 177                             | 4 709          | 18 791                  | 16                                       | 4 027                               | -       | 570 368    |
| 24 754                       | 111 459                            | 24 522         | 35 258                  | 18 452                                   | 23 833                              | -       | 2 465 078  |
| 523 879                      | 942 349                            | 1 882 047      | 451 291                 | 353 199                                  | 758 530                             | 81 955  | 29 079 730 |
| 415 606                      | 790 442                            | 2 051 411      | 349 012                 | 305 996                                  | 574 087                             | 229 891 | 21 661 399 |
| -                            | -                                  | 616 222        | -                       | -                                        | -                                   | 217 834 | 861 766    |
| -                            | -                                  | -              | -                       | -                                        | -                                   | 121 127 | 121 127    |
| -                            | -                                  | 200 482        | -                       | -                                        | -                                   | 91 183  | 291 665    |
| -                            | -                                  | 415 740        | -                       | -                                        | -                                   | 5 524   | 448 974    |
| -                            | -                                  | 217            | -                       | -                                        | -                                   | 5 623   | 1 594 676  |
| -                            | -                                  | -              | -                       | -                                        | -                                   | -       | 2 438 631  |
| -                            | -                                  | -              | -                       | -                                        | -                                   | -       | 1 002 781  |
| 89 173                       | 151 787                            | 1 564          | 2 526                   | -                                        | 60 632                              | -       | 493 257    |
| 10 935                       | 14 207                             | 23 168         | 165 104                 | 13                                       | 75                                  | 6 434   | 2 056 412  |
| 395                          | 3 505                              | 7 771          | -                       | -                                        | 18 970                              | -       | 306 109    |
| 315 103                      | 620 943                            | 1 402 469      | 181 382                 | 305 983                                  | 494 410                             | -       | 12 907 767 |
| 25 769                       | 118 678                            | 302 927        | 50 222                  | 24 472                                   | 78 546                              | -       | 3 374 450  |
| 5 291                        | 30 655                             | 34 238         | 17 586                  | -                                        | -                                   | -       | 435 098    |
| 20 478                       | 88 023                             | 268 689        | 32 636                  | 24 472                                   | 78 546                              | -       | 2 939 352  |
| 441 375                      | 909 120                            | 2 354 338      | 399 234                 | 330 468                                  | 652 633                             | 229 891 | 25 035 849 |



# Risk management

## Asset quality and impairments

### Core loans and advances to customers

In order to assess and analyse the credit risk associated with loans and advances we believe that certain adjustments should be made to the category "loans and advances to customers" as reflected on the IFRS combined consolidated balance sheet. We believe that these adjustments are necessary in order to derive a value that reflects actual core lending activities. In this regard the following methodology has been applied:

- Loans and advances which have been originated by us and securitised primarily to provide an alternative source of funding are added to loans and advances
- Warehouse funding facilities and warehouse assets arising out of our securitisation and principal finance activities have been deducted. The risks associated with our securitisation and principal finance activities are discussed in detail on page 89

| £'000                                                                                                                                | 31 March 2009 | 31 March 2008 |
|--------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Audited</b>                                                                                                                       |               |               |
| Loans (pre-impairments) as per balance sheet                                                                                         | 15 563 109    | 12 021 953    |
| Less: warehouse facilities and warehouse assets arising out of our securitisation and principal finance activities (pre-impairments) | (298 239)     | (28 000)      |
| Add: own-originated securitised assets                                                                                               | 1 128 333     | 913 814       |
| Gross core loans and advances to customers (pre-impairments)                                                                         | 16 393 203    | 12 907 767    |

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

### Overall asset quality

| £'000                                                                                            | 31 March 2009 | 31 March 2008 |
|--------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Audited</b>                                                                                   |               |               |
| Gross core loans and advances to customers                                                       | 16 393 203    | 12 907 767    |
| Total impairments                                                                                | (166 660)     | (54 011)      |
| Portfolio impairments                                                                            | (9 696)       | (6 695)       |
| Specific impairments                                                                             | (156 964)     | (47 316)      |
| Net core loans and advances to customers                                                         | 16 226 543    | 12 853 756    |
| Average core loans and advances to customers                                                     | 14 650 485    | 11 521 052    |
| Current loans and advances to customers                                                          | 15 015 290    | 12 182 609    |
| Total gross non-current loans and advances to customers                                          | 1 377 913     | 725 158       |
| Past due loans and advances to customers (1-60 days)                                             | 598 630       | 400 764       |
| Special mention loans and advances to customers                                                  | 79 662        | 103 978       |
| Default loans and advances to customers                                                          | 699 621       | 220 416       |
| Gross core loans and advances to customers                                                       | 16 393 203    | 12 907 767    |
| Total gross non-current core loans and advances to customers                                     | 1 377 913     | 725 158       |
| Default loans that are current and not impaired                                                  | 12 624        | -             |
| Gross core loans and advances to customers that are past due but not impaired                    | 929 865       | 567 802       |
| Gross core loans and advances to customers that are impaired                                     | 435 424       | 157 356       |
| Total income statement charge for impairments against core loans                                 | (162 927)     | (58 785)      |
| Gross default loans and advances to customers                                                    | 699 621       | 220 416       |
| Specific impairments                                                                             | (156 964)     | (47 316)      |
| Defaults net of specific impairments                                                             | 542 657       | 173 100       |
| Collateral and other credit enhancements                                                         | 649 219       | 210 217       |
| Net default loans and advances to customers (limited to zero)                                    | -             | -             |
| <b>Ratios</b>                                                                                    |               |               |
| Specific impairments as a % of gross core loans and advances to customers                        | 0.96%         | 0.37%         |
| Portfolio impairments as a % of gross core loans and advances to customers                       | 0.06%         | 0.05%         |
| Total impairments as a % of gross core loans and advances to customers                           | 1.02%         | 0.42%         |
| Specific impairments as a % of gross default loans                                               | 22.44%        | 21.47%        |
| Gross defaults as a % of gross core loans and advances to customers                              | 4.27%         | 1.71%         |
| Defaults (net of impairments) as a % of net core loans and advances to customers                 | 3.34%         | 1.35%         |
| Net defaults as a % of gross core loans and advances to customers                                | -             | -             |
| Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances) | 1.11%         | 0.51%         |

## Risk management

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

| £'000<br>Audited                                                                   | 31 March<br>2009 | 31 March<br>2008 |
|------------------------------------------------------------------------------------|------------------|------------------|
| Default loans that are current                                                     | 95 523           | -                |
| 1 - 60 days                                                                        | 658 046          | 465 095          |
| 61 - 90 days                                                                       | 90 352           | 72 977           |
| 91 - 180 days                                                                      | 284 058          | 167 898          |
| 181 - 365 days                                                                     | 148 275          | 8 221            |
| >365 days                                                                          | 101 659          | 10 967           |
| Total gross non-current loans and advances to customers (actual capital exposure)  | 1 377 913        | 725 158          |
| 1 - 60 days                                                                        | 35 929           | 27 913           |
| 61 - 90 days                                                                       | 14 691           | 4 309            |
| 91 - 180 days                                                                      | 53 092           | 25 641           |
| 181 - 365 days                                                                     | 65 763           | 3 268            |
| >365 days                                                                          | 61 247           | 7 890            |
| Total gross non-current loans and advances to customers (actual amount in arrears) | 230 722          | 69 021           |

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

| £'000<br>Audited                                                              | Current<br>watchlist<br>loans | 1 - 60<br>days | 61 - 90<br>days | 91 - 180<br>days | 181 - 365<br>days | >365<br>days | Total   |
|-------------------------------------------------------------------------------|-------------------------------|----------------|-----------------|------------------|-------------------|--------------|---------|
| As at 31 March 2009                                                           |                               |                |                 |                  |                   |              |         |
| Default loans that are current and not impaired                               |                               |                |                 |                  |                   |              |         |
| Total capital exposure                                                        | 12 624                        | -              | -               | -                | -                 | -            | 12 624  |
| Amount in arrears                                                             | -                             | -              | -               | -                | -                 | -            | -       |
| Gross core loans and advances to customers that are past due but not impaired |                               |                |                 |                  |                   |              |         |
| Total capital exposure                                                        | -                             | 614 629        | 64 001          | 98 105           | 97 255            | 55 875       | 929 865 |
| Amount in arrears                                                             | -                             | 21 752         | 8 136           | 15 519           | 38 129            | 23 959       | 107 495 |
| Gross core loans and advances to customers that are impaired                  |                               |                |                 |                  |                   |              |         |
| Total capital exposure                                                        | 82 899                        | 43 417         | 26 351          | 185 953          | 51 020            | 45 784       | 435 424 |
| Amount in arrears                                                             | -                             | 14 177         | 6 555           | 37 573           | 27 634            | 37 288       | 123 227 |
| As at 31 March 2008                                                           |                               |                |                 |                  |                   |              |         |
| Gross core loans and advances to customers that are past due but not impaired |                               |                |                 |                  |                   |              |         |
| Total capital exposure                                                        | -                             | 434 350        | 70 059          | 60 704           | 1 180             | 1 509        | 567 802 |
| Amount in arrears                                                             | -                             | 25 724         | 2 715           | 1 322            | 786               | 114          | 30 661  |
| Gross core loans and advances to customers that are impaired                  |                               |                |                 |                  |                   |              |         |
| Total capital exposure                                                        | -                             | 30 745         | 2 918           | 107 194          | 7 041             | 9 458        | 157 356 |
| Amount in arrears                                                             | -                             | 2 189          | 1 594           | 24 319           | 2 482             | 7 776        | 38 360  |





## Risk management

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on total capital exposure)

| £'000<br>Audited                                | Current watchlist loans | 1 - 60 days | 61 - 90 days | 91 - 180 days | 181 - 365 days | >365 days | Total     |
|-------------------------------------------------|-------------------------|-------------|--------------|---------------|----------------|-----------|-----------|
| Past due (1 - 60 days)                          | -                       | 598 630     | -            | -             | -              | -         | 598 630   |
| Special mention                                 | -                       | 12 964      | 62 559       | 3 103         | 745            | 291       | 79 662    |
| Special mention (1 - 60 days)                   | -                       | 12 964      | 4 894        | *3 103        | 745            | *291      | 21 997    |
| Special mention (61 - 90 days and well secured) | -                       | -           | 57 665       | -             | -              | -         | 57 665    |
| Default                                         | 95 523                  | 46 452      | 27 793       | 280 955       | 147 530        | 101 368   | 699 621   |
| Sub-standard                                    | 17 912                  | 3 837       | 5 599        | 149 721       | 104 608        | 57 110    | 338 787   |
| Doubtful                                        | 77 468                  | 42 615      | 22 194       | 113 619       | 42 922         | 43 182    | 342 000   |
| Loss                                            | 143                     | -           | -            | 17 615        | -              | 1 076     | 18 834    |
| Total                                           | 95 523                  | 658 046     | 90 352       | 284 058       | 148 275        | 101 659   | 1 377 913 |

An age analysis of gross non-current core loans and advances to customers as at 31 March 2009 (based on actual amount in arrears)

| £'000<br>Audited                                | Current watchlist loans | 1 - 60 days | 61 - 90 days | 91 - 180 days | 181 - 365 days | >365 days | Total   |
|-------------------------------------------------|-------------------------|-------------|--------------|---------------|----------------|-----------|---------|
| Past due (1 - 60 days)                          | -                       | 18 902      | -            | -             | -              | -         | 18 902  |
| Special mention                                 | -                       | 2 835       | 8 121        | 1 711         | 603            | 248       | 13 518  |
| Special mention (1 - 60 days)                   | -                       | 2 835       | 3 954        | *1 711        | *603           | *248      | 9 351   |
| Special mention (61 - 90 days and well secured) | -                       | -           | 4 167        | -             | -              | -         | 4 167   |
| Default                                         | -                       | 14 192      | 6 570        | 51 381        | 65 160         | 60 999    | 198 302 |
| Sub-standard                                    | -                       | 457         | 1 463        | 19 008        | 43 173         | 29 169    | 93 270  |
| Doubtful                                        | -                       | 13 735      | 5 107        | 32 343        | 21 982         | 30 770    | 103 937 |
| Loss                                            | -                       | -           | -            | 30            | 5              | 1 060     | 1 095   |
| Total                                           | -                       | 35 929      | 14 691       | 53 092        | 65 763         | 61 247    | 230 722 |

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

## Risk management

An age analysis of gross non-current core loans and advances to customers as at 31 March 2008 (based on total capital exposure)

| £'000                                           | 1 - 60 days    | 61 - 90 days  | 91 - 180 days  | 181 - 365 days | >365 days     | Total          |
|-------------------------------------------------|----------------|---------------|----------------|----------------|---------------|----------------|
| <b>Audited</b>                                  |                |               |                |                |               |                |
| Past due (1 - 60 days)                          | 400 764        | -             | -              | -              | -             | 400 764        |
| Special mention                                 | 30 742         | 70 020        | 527            | 1 180          | 1 509         | 103 978        |
| Special mention (1 - 60 days)                   | 30 742         | 16 341        | 527            | 1 180          | 1 509         | 50 299         |
| Special mention (61 - 90 days and well secured) | -              | 53 679        | -              | -              | -             | 53 679         |
| Default                                         | 33 589         | 2 957         | 167 371        | 7 041          | 9 458         | 220 416        |
| Sub-standard                                    | 8 269          | 425           | 138 357        | 2 978          | 3 595         | 153 624        |
| Doubtful                                        | 23 858         | 2 532         | 12 925         | 4 063          | 5 846         | 49 224         |
| Loss                                            | 1 462          | -             | 16 089         | -              | 17            | 17 568         |
| <b>Total</b>                                    | <b>465 095</b> | <b>72 977</b> | <b>167 898</b> | <b>8 221</b>   | <b>10 967</b> | <b>725 158</b> |

An age analysis of gross non-current core loans and advances to customers as at 31 March 2008 (based on a actual amount in arrears)

| £'000                                           | 1 - 60 days   | 61 - 90 days | 91 - 180 days | 181 - 365 days | >365 days    | Total         |
|-------------------------------------------------|---------------|--------------|---------------|----------------|--------------|---------------|
| <b>Audited</b>                                  |               |              |               |                |              |               |
| Past due (1 - 60 days)                          | 25 691        | -            | -             | -              | -            | 25 691        |
| Special mention                                 | 27            | 2 715        | 249           | 786            | 114          | 3 891         |
| Special mention (1 - 60 days)                   | 14            | 58           | 249           | 786            | 114          | 1 221         |
| Special mention (61 - 90 days and well secured) | 13            | 2 657        | -             | -              | -            | 2 670         |
| Default                                         | 2 195         | 1 594        | 25 392        | 2 482          | 7 776        | 39 439        |
| Sub-standard                                    | 669           | 43           | 5 524         | 728            | 3 009        | 9 973         |
| Doubtful                                        | 1 360         | 1 551        | 3 779         | 1 754          | 4 750        | 13 194        |
| Loss                                            | 166           | -            | 16 089        | -              | 17           | 16 272        |
| <b>Total</b>                                    | <b>27 913</b> | <b>4 309</b> | <b>25 641</b> | <b>3 268</b>   | <b>7 890</b> | <b>69 021</b> |

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

## Risk management

An analysis of core loans and advances to customers

| £'000                                           | Gross core loans and advances that are neither past due nor impaired | Gross core loans and advances that are past due but not impaired | Gross core loans and advances that are impaired | Total gross core loans and advances (actual capital exposure) |
|-------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------|
| <b>Audited</b>                                  |                                                                      |                                                                  |                                                 |                                                               |
| <b>As at 31 March 2009</b>                      |                                                                      |                                                                  |                                                 |                                                               |
| Current core loans and advances                 | 15 015 290                                                           | -                                                                | -                                               | 15 015 290                                                    |
| Past due (1 - 60 days)                          | -                                                                    | 598 630                                                          | -                                               | 598 630                                                       |
| Special mention                                 | -                                                                    | 79 662                                                           | -                                               | 79 662                                                        |
| Special mention (1 - 60 days)                   | -                                                                    | 21 997                                                           | -                                               | 21 997                                                        |
| Special mention (61 - 90 days and well secured) | -                                                                    | 57 665                                                           | -                                               | 57 665                                                        |
| Default                                         | 12 624                                                               | 251 573                                                          | 435 424                                         | 699 621                                                       |
| Sub-standard                                    | 12 624                                                               | 251 573                                                          | 74 590                                          | 338 787                                                       |
| Doubtful                                        | -                                                                    | -                                                                | 342 000                                         | 342 000                                                       |
| Loss                                            | -                                                                    | -                                                                | 18 834                                          | 18 834                                                        |
| <b>Total</b>                                    | <b>15 027 914</b>                                                    | <b>929 865</b>                                                   | <b>435 424</b>                                  | <b>16 393 203</b>                                             |
| <b>As at 31 March 2008</b>                      |                                                                      |                                                                  |                                                 |                                                               |
| Current core loans and advances                 | 12 182 609                                                           | -                                                                | -                                               | 12 182 609                                                    |
| Past due (1 - 60 days)                          | -                                                                    | 400 764                                                          | -                                               | 400 764                                                       |
| Special mention                                 | -                                                                    | 103 978                                                          | -                                               | 103 978                                                       |
| Special mention (1 - 60 days)                   | -                                                                    | 50 299                                                           | -                                               | 50 299                                                        |
| Special mention (61 - 90 days and well secured) | -                                                                    | 53 679                                                           | -                                               | 53 679                                                        |
| Default                                         | -                                                                    | 63 060                                                           | 157 356                                         | 220 416                                                       |
| Sub-standard                                    | -                                                                    | 62 687                                                           | 90 937                                          | 153 624                                                       |
| Doubtful                                        | -                                                                    | 373                                                              | 48 851                                          | 49 224                                                        |
| Loss                                            | -                                                                    | -                                                                | 17 568                                          | 17 568                                                        |
| <b>Total</b>                                    | <b>12 182 609</b>                                                    | <b>567 802</b>                                                   | <b>157 356</b>                                  | <b>12 907 767</b>                                             |

| Specific impairments | Portfolio impairments | Total net core loans and advances (actual capital exposure) | Actual amount in arrears |
|----------------------|-----------------------|-------------------------------------------------------------|--------------------------|
| -                    | (9 006)               | 15 006 284                                                  | -                        |
| -                    | (238)                 | 598 392                                                     | 18 902                   |
| -                    | (452)                 | 79 210                                                      | 13 518                   |
| -                    | (451)                 | 21 546                                                      | 9 351                    |
| -                    | (1)                   | 57 664                                                      | 4 167                    |
| (156 964)            | -                     | 542 657                                                     | 198 302                  |
| (50 155)             | -                     | 288 632                                                     | 93 270                   |
| (98 272)             | -                     | 243 728                                                     | 103 937                  |
| (8 537)              | -                     | 10 297                                                      | 1 095                    |
| (156 964)            | (9 696)               | 16 226 543                                                  | 230 722                  |
| -                    | (2 894)               | 12 179 715                                                  | -                        |
| -                    | (3 669)               | 397 095                                                     | 25 691                   |
| -                    | (125)                 | 103 853                                                     | 3 891                    |
| -                    | (36)                  | 50 263                                                      | 1 221                    |
| -                    | (89)                  | 53 590                                                      | 2 670                    |
| (47 316)             | (7)                   | 173 093                                                     | 39 439                   |
| (16 423)             | (3)                   | 137 198                                                     | 9 973                    |
| (18 948)             | (1)                   | 30 275                                                      | 13 194                   |
| (11 945)             | (3)                   | 5 620                                                       | 16 272                   |
| (47 316)             | (6 695)               | 12 853 756                                                  | 69 021                   |



## Risk management

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

| £'000<br>Audited                                             | Current core<br>loans and<br>advances | Past due<br>(1 - 60 days) | Special<br>mention<br>(1 - 60 days) | Special<br>mention<br>(61 - 90 days<br>and well<br>secured) |
|--------------------------------------------------------------|---------------------------------------|---------------------------|-------------------------------------|-------------------------------------------------------------|
| As at 31 March 2009                                          |                                       |                           |                                     |                                                             |
| Private Banking professional and HNW individuals             | 10 071 673                            | 528 967                   | 21 997                              | 37 260                                                      |
| Corporate sector                                             | 3 380 375                             | 61 404                    | -                                   | 18 878                                                      |
| Banking, insurance, financial services (excluding sovereign) | 1 161 413                             | -                         | -                                   | -                                                           |
| Public and government sector (including central banks)       | 269 564                               | -                         | -                                   | -                                                           |
| Trade Finance                                                | 132 265                               | 8 259                     | -                                   | 1 527                                                       |
| <b>Total gross core loans and advances to customers</b>      | <b>15 015 290</b>                     | <b>598 630</b>            | <b>21 997</b>                       | <b>57 665</b>                                               |
| As at 31 March 2008                                          |                                       |                           |                                     |                                                             |
| Private Banking professional and HNW individuals             | 7 901 316                             | 373 400                   | 50 299                              | 50 157                                                      |
| Corporate sector                                             | 3 171 078                             | 20 484                    | -                                   | 2 364                                                       |
| Banking, insurance, financial services (excluding sovereign) | 760 998                               | -                         | -                                   | -                                                           |
| Public and government sector (including central banks)       | 275 884                               | -                         | -                                   | -                                                           |
| Trade Finance                                                | 73 333                                | 6 880                     | -                                   | 1 158                                                       |
| Other                                                        | -                                     | -                         | -                                   | -                                                           |
| <b>Total gross core loans and advances to customers</b>      | <b>12 182 609</b>                     | <b>400 764</b>            | <b>50 299</b>                       | <b>53 679</b>                                               |

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

| £'000<br>Audited                                             | 31 March<br>2009  | 31 March<br>2008  |
|--------------------------------------------------------------|-------------------|-------------------|
| Private Banking professional and HNW individuals*            | 11 166 476        | 8 550 145         |
| Corporate sector                                             | 3 639 141         | 3 235 553         |
| Banking, insurance, financial services (excluding sovereign) | 1 161 634         | 760 998           |
| Public and government sector (including central banks)       | 269 928           | 275 884           |
| Trade Finance                                                | 156 024           | 85 187            |
| <b>Total gross core loans and advances to customers</b>      | <b>16 393 203</b> | <b>12 907 767</b> |

\* A further analysis of our Private Banking loan book is provided on page 42

| Sub-standard | Doubtful | Loss   | Total gross core loans and advances to customers | Portfolio impairments | Specific impairments | Total impairments |
|--------------|----------|--------|--------------------------------------------------|-----------------------|----------------------|-------------------|
| 231 717      | 256 723  | 18 139 | 11 166 476                                       | (6 887)               | (81 510)             | (88 397)          |
| 100 276      | 77 513   | 695    | 3 639 141                                        | (1 826)               | (69 713)             | (71 539)          |
| -            | 221      | -      | 1 161 634                                        | (983)                 | (161)                | (1 144)           |
| -            | 364      | -      | 269 928                                          | -                     | (227)                | (227)             |
| 6 794        | 7 179    | -      | 156 024                                          | -                     | (5 353)              | (5 353)           |
| 338 787      | 342 000  | 18 834 | 16 393 203                                       | (9 696)               | (156 964)            | (166 660)         |
| 117 283      | 40 246   | 17 444 | 8 550 145                                        | (4 528)               | (41 228)             | (45 756)          |
| 36 341       | 5 162    | 124    | 3 235 553                                        | (1 843)               | (4 288)              | (6 131)           |
| -            | -        | -      | 760 998                                          | -                     | -                    | -                 |
| -            | -        | -      | 275 884                                          | -                     | -                    | -                 |
| -            | 3 816    | -      | 85 187                                           | -                     | (1 800)              | (1 800)           |
| -            | -        | -      | -                                                | (324)                 | -                    | (324)             |
| 153 624      | 49 224   | 17 568 | 12 907 767                                       | (6 695)               | (47 316)             | (54 011)          |



# Risk management

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

| £'000                                                                         | UK and Europe |               | Southern Africa |               | Australia     |               | Total         |               |
|-------------------------------------------------------------------------------|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| Audited                                                                       | 31 March 2009 | 31 March 2008 | 31 March 2009   | 31 March 2008 | 31 March 2009 | 31 March 2008 | 31 March 2009 | 31 March 2008 |
| Gross core loans and advances to customers                                    | 6 038 586     | 5 295 713     | 8 930 812       | 6 430 418     | 1 423 805     | 1 181 636     | 16 393 203    | 12 907 767    |
| Total impairments                                                             | (76 057)      | (21 854)      | (74 969)        | (23 367)      | (15 634)      | (8 790)       | (166 660)     | (54 011)      |
| Portfolio impairments                                                         | (3 032)       | (2 053)       | (6 664)         | (4 642)       | -             | -             | (9 696)       | (6 695)       |
| Specific impairments                                                          | (73 025)      | (19 801)      | (68 305)        | (18 725)      | (15 634)      | (8 790)       | (156 964)     | (47 316)      |
| Net core loans and advances to customers                                      | 5 962 529     | 5 273 859     | 8 855 843       | 6 407 051     | 1 408 171     | 1 172 846     | 16 226 543    | 12 853 756    |
| % of total                                                                    | 36.7%         | 41.0%         | 54.6%           | 49.8%         | 8.7%          | 9.1%          | 100.0%        | 100.0%        |
| % change since 31 March 2008                                                  | 13.1%         | -             | 38.2%           | -             | 20.1%         | -             | 26.2%         | -             |
| Average gross core loans and advances to customers                            | 5 667 150     | 4 635 210     | 7 680 615       | 5 958 499     | 1 302 720     | 927 345       | 14 650 485    | 11 521 052    |
| Current loans and advances to customers                                       | 5 287 746     | 4 816 940     | 8 481 356       | 6 276 582     | 1 246 188     | 1 089 087     | 15 015 290    | 12 182 609    |
| Total gross non current loans and advances to customers                       | 750 840       | 478 772       | 449 456         | 153 836       | 177 617       | 92 550        | 1 377 913     | 725 158       |
| Past due loans and advances to customers (1 - 60 days)                        | 442 966       | 283 445       | 139 021         | 73 219        | 16 643        | 44 100        | 598 630       | 400 764       |
| Special mention loans and advances to customers                               | 22 445        | 56 165        | 47 378          | 18 282        | 9 839         | 29 531        | 79 662        | 103 978       |
| Default loans and advances to customers                                       | 285 429       | 139 162       | 263 057         | 62 335        | 151 135       | 18 919        | 699 621       | 220 416       |
| Gross core loans and advances to customers                                    | 6 038 586     | 5 295 712     | 8 930 812       | 6 430 418     | 1 423 805     | 1 181 637     | 16 393 203    | 12 907 767    |
| Total gross non current loans and advances to customers                       | 750 840       | 478 772       | 449 456         | 153 836       | 177 617       | 92 550        | 1 377 913     | 725 158       |
| Default loans that are current and not impaired                               | 11 056        | -             | 1 568           | -             | -             | -             | 12 624        | -             |
| Gross core loans and advances to customers that are past due but not impaired | 590 726       | 399 965       | 221 211         | 92 187        | 117 928       | 75 650        | 929 865       | 567 802       |
| Gross core loans and advances to customers that are impaired                  | 149 058       | 78 807        | 226 677         | 61 649        | 59 689        | 16 900        | 435 424       | 157 356       |
| Total income statement charge for impairments on core loans                   | (88 790)      | (21 589)      | (51 452)        | (30 844)      | (22 685)      | (6 352)       | (162 927)     | (58 785)      |
| Gross default loans and advances to customers                                 | 285 429       | 139 162       | 263 057         | 62 335        | 151 135       | 18 919        | 699 621       | 220 416       |
| Specific impairments                                                          | (73 025)      | (19 801)      | (68 305)        | (18 725)      | (15 634)      | (8 790)       | (156 964)     | (47 316)      |
| Defaults net of specific impairments                                          | 212 404       | 119 361       | 194 752         | 43 610        | 135 501       | 10 129        | 542 657       | 173 100       |
| Collateral and other credit enhancements                                      | 218 000       | 114 011       | 267 767         | 83 844        | 163 452       | 12 362        | 649 219       | 210 217       |
| Net default loans and advances to customers                                   | -             | 5 350         | -               | -             | -             | -             | -             | -             |

Risk and governance



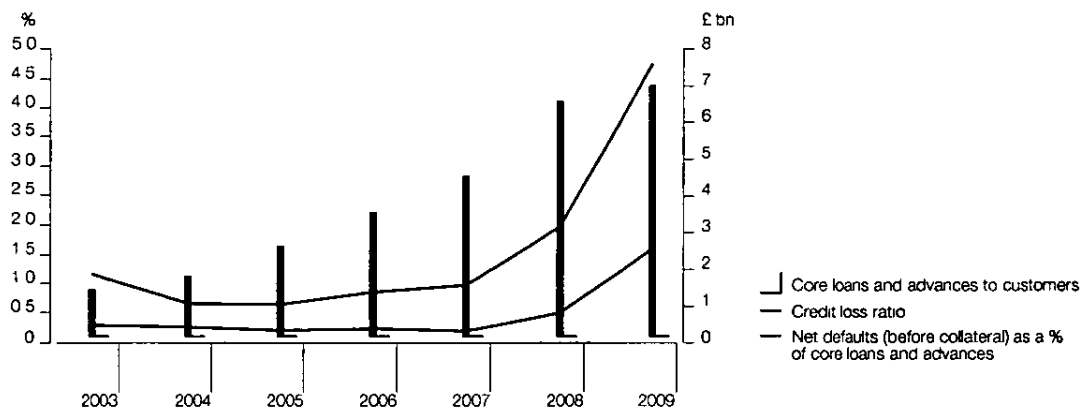
## Risk management

An analysis of core loans and advances to customers and asset quality by geography (continued)

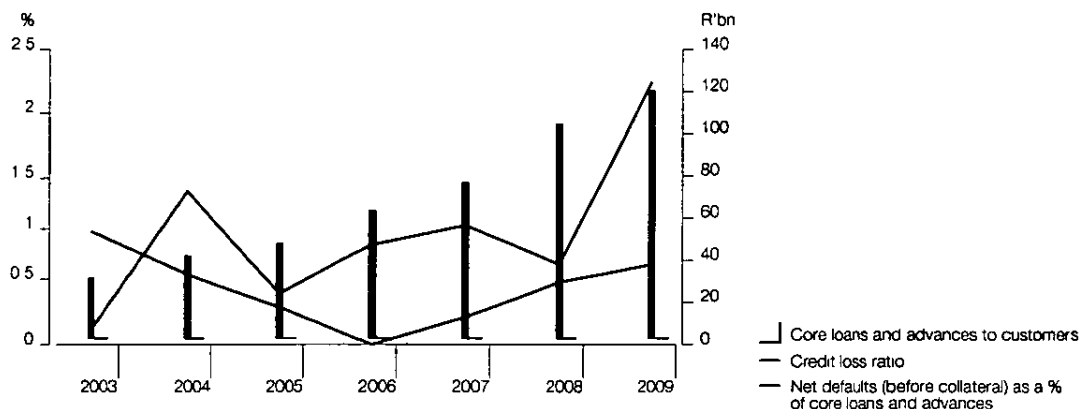
| Audited                                                                                          | UK and Europe |               | Southern Africa |               | Australia     |               | Total         |               |
|--------------------------------------------------------------------------------------------------|---------------|---------------|-----------------|---------------|---------------|---------------|---------------|---------------|
|                                                                                                  | 31 March 2009 | 31 March 2008 | 31 March 2009   | 31 March 2008 | 31 March 2009 | 31 March 2008 | 31 March 2009 | 31 March 2008 |
| Specific impairments as a % of gross core loans and advances to customers                        | 1.21%         | 0.37%         | 0.76%           | 0.29%         | 1.10%         | 0.74%         | 0.96%         | 0.37%         |
| Portfolio impairments as a % of gross core loans and advances to customers                       | 0.05%         | 0.04%         | 0.07%           | 0.07%         | -             | -             | 0.06%         | 0.05%         |
| Total impairments as a % of gross core loans and advances to customers                           | 1.26%         | 0.41%         | 0.84%           | 0.36%         | 1.10%         | 0.74%         | 1.02%         | 0.42%         |
| Specific impairments as a % of gross default loans                                               | 25.58%        | 14.23%        | 25.97%          | 30.04%        | 10.34%        | 46.46%        | 22.44%        | 21.47%        |
| Gross defaults as a % of gross core loans and advances to customers                              | 4.73%         | 2.63%         | 2.95%           | 0.97%         | 10.61%        | 1.60%         | 4.27%         | 1.71%         |
| Defaults (net of impairments) as a % of net core loans and advances to customers                 | 3.56%         | 2.26%         | 2.20%           | 0.68%         | 9.62%         | 0.86%         | 3.34%         | 1.35%         |
| Net defaults as a % of gross core loans and advances to customers                                | -             | 0.10%         | -               | -             | -             | -             | -             | -             |
| Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances) | 1.57%         | 0.47%         | 0.67%           | 0.52%         | 1.74%         | 0.69%         | 1.11%         | 0.51%         |

Defaults and core loans trend

UK, Europe and Australia



Southern Africa





# Risk management

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

| As at 31 March 2009<br>£'000<br><b>Audited</b>                                                   | Private Bank  |                 |           | Total      |
|--------------------------------------------------------------------------------------------------|---------------|-----------------|-----------|------------|
|                                                                                                  | UK and Europe | Southern Africa | Australia |            |
| Gross core loans and advances to customers                                                       | 3 682 761     | 6 228 923       | 1 252 814 | 11 164 498 |
| Total impairments                                                                                | (37 726)      | (37 619)        | (13 050)  | (88 395)   |
| Portfolio impairments                                                                            | (2 132)       | (4 754)         | -         | (6 886)    |
| Specific impairments                                                                             | (35 594)      | (32 865)        | (13 050)  | (81 509)   |
| Net core loans and advances to customers                                                         | 3 645 035     | 6 191 304       | 1 239 764 | 11 076 103 |
| Average gross core loans and advances                                                            | 3 513 898     | 5 399 705       | 1 145 563 | 10 059 166 |
| Current loans and advances to customers                                                          | 3 124 164     | 5 860 702       | 1 088 511 | 10 073 377 |
| Total gross non current loans and advances to customers                                          | 558 597       | 368 221         | 164 303   | 1 091 121  |
| Past due loans and advances to customers (1 - 60 days)                                           | 386 846       | 126 145         | 15 975    | 528 966    |
| Special mention loans and advances to customers                                                  | 3 087         | 42 879          | 9 611     | 55 577     |
| Default loans and advances to customers                                                          | 168 664       | 199 197         | 138 717   | 506 578    |
| Gross core loans and advances to customers                                                       | 3 682 761     | 6 228 923       | 1 252 814 | 11 164 498 |
| Total gross non-current loans and advances to customers                                          | 558 597       | 368 221         | 164 303   | 1 091 121  |
| Default loans that are current and not impaired                                                  | 6 398         | 1 568           | -         | 7 966      |
| Gross core loans and advances to customers that are past due but not impaired                    | 463 215       | 203 836         | 116 611   | 783 662    |
| Gross core loans and advances to customers that are impaired                                     | 88 984        | 162 817         | 47 692    | 299 493    |
| Total income statement charge for impairments on core loans                                      | (52 195)      | (17 699)        | (20 200)  | (90 094)   |
| Gross default loans and advances to customers                                                    | 168 664       | 199 197         | 138 717   | 506 578    |
| Specific impairments                                                                             | (35 594)      | (32 865)        | (13 050)  | (81 509)   |
| Defaults net of specific impairments                                                             | 133 070       | 166 332         | 125 667   | 425 069    |
| Collateral and other credit enhancements                                                         | 136 986       | 223 679         | 153 617   | 514 282    |
| Net default loans and advances to customers (limited to zero)                                    | -             | -               | -         | -          |
| Specific impairments as a % of gross core loans and advances to customers                        | 0.97%         | 0.53%           | 1.04%     | 0.73%      |
| Portfolio impairments as a % of gross core loans and advances to customers                       | 0.06%         | 0.08%           | 0.00%     | 0.06%      |
| Total impairments as a % of gross core loans and advances to customers                           | 1.02%         | 0.60%           | 1.04%     | 0.79%      |
| Specific impairments as a % of gross default loans                                               | 21.10%        | 16.50%          | 9.41%     | 16.09%     |
| Gross defaults as a % of gross core loans and advances to customers                              | 4.58%         | 3.20%           | 11.07%    | 4.54%      |
| Defaults (net of impairments) as a % of net core loans and advances to customers                 | 3.65%         | 2.69%           | 10.14%    | 3.84%      |
| Net defaults as a % of gross core loans and advances to customers                                | -             | -               | -         | -          |
| Credit loss ratio (i.e. income statement charge as a % of average gross core loans and advances) | 1.49%         | 0.33%           | 1.76%     | 0.90%      |

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

| UK and Europe | Capital Markets |           |           | UK and Europe | Other*          |           |          | Total      |
|---------------|-----------------|-----------|-----------|---------------|-----------------|-----------|----------|------------|
|               | Southern Africa | Australia | Total     |               | Southern Africa | Australia | Total    |            |
| 2 279 315     | 2 418 052       | 169 748   | 4 867 115 | 76 509        | 283 838         | 1 243     | 361 590  | 16 393 203 |
| (38 331)      | (25 161)        | (2 583)   | (66 075)  | -             | (12 190)        | -         | (12 190) | (166 660)  |
| (899)         | (1 413)         | -         | (2 312)   | -             | (498)           | -         | (498)    | (9 696)    |
| (37 432)      | (23 748)        | (2 583)   | (63 763)  | -             | (11 692)        | -         | (11 692) | (156 964)  |
| 2 240 984     | 2 392 891       | 167 165   | 4 801 040 | 76 509        | 271 648         | 1 243     | 349 400  | 16 226 543 |
| 2 139 842     | 2 159 311       | 155 930   | 4 455 083 | 13 410        | 121 599         | 1 227     | 136 236  | 14 650 485 |
| 2 087 437     | 2 366 177       | 156 434   | 4 610 047 | 76 144        | 254 478         | 1 243     | 331 866  | 15 015 290 |
| 191 878       | 51 875          | 13 314    | 257 067   | 365           | 29 360          | -         | 29 725   | 1 377 913  |
| 56 119        | 4 617           | 668       | 61 404    | -             | 8 260           | -         | 8 260    | 598 630    |
| 19 358        | 2 972           | 228       | 22 558    | -             | 1 527           | -         | 1 527    | 79 662     |
| 116 401       | 44 286          | 12 418    | 173 105   | 365           | 19 573          | -         | 19 938   | 699 621    |
| 2 279 315     | 2 418 052       | 169 748   | 4 867 114 | 76 509        | 283 838         | 1 243     | 361 590  | 16 393 203 |
| 191 878       | 51 875          | 13 314    | 257 067   | 365           | 29 360          | -         | 29 725   | 1 377 913  |
| 4 658         | -               | -         | 4 658     | -             | -               | -         | -        | 12 624     |
| 127 510       | 7 589           | 1 316     | 136 415   | -             | 9 788           | -         | 9 787    | 929 865    |
| 59 710        | 44 286          | 11 998    | 115 994   | 365           | 19 572          | -         | 19 938   | 435 424    |
| (36 596)      | (23 515)        | (2 484)   | (62 595)  | -             | (10 238)        | -         | (10 238) | (162 927)  |
| 116 401       | 44 286          | 12 418    | 173 105   | 365           | 19 573          | -         | 19 938   | 699 621    |
| (37 432)      | (23 748)        | (2 583)   | (63 763)  | -             | (11 692)        | -         | (11 692) | (156 964)  |
| 78 969        | 20 538          | 9 835     | 109 342   | 365           | 7 881           | -         | 8 246    | 542 657    |
| 80 684        | 33 061          | 9 835     | 123 580   | 331           | 11 026          | -         | 11 358   | 649 219    |
| -             | -               | -         | -         | 34            | -               | -         | -        | -          |
| 1 64%         | 0 98%           | 1 52%     | 1 31%     | -             | 4 12%           | -         | 3 23%    | 0 96%      |
| 0 04%         | 0 06%           | -         | 0 05%     | -             | 0 18%           | -         | 0 14%    | 0 06%      |
| 1 68%         | 1 04%           | 1 52%     | 1 36%     | -             | 4 29%           | -         | 3 37%    | 1 02%      |
| 32 16%        | 53 62%          | 20 80%    | 36 83%    | -             | 59 74%          | -         | 58 65%   | 22 44%     |
| 5 11%         | 1 83%           | 7 32%     | 3 56%     | 0 48%         | 6 90%           | -         | 5 51%    | 4 27%      |
| 3 52%         | 0 86%           | 5 88%     | 2 28%     | 0 48%         | 2 90%           | -         | 2 36%    | 3 34%      |
| -             | -               | -         | -         | 0 04%         | -               | -         | -        | -          |
| 1 71%         | 1 09%           | 1 59%     | 1 41%     | -             | 8 42%           | -         | 7 51%    | 1 11%      |



## Risk management

An analysis of default core loans and advances

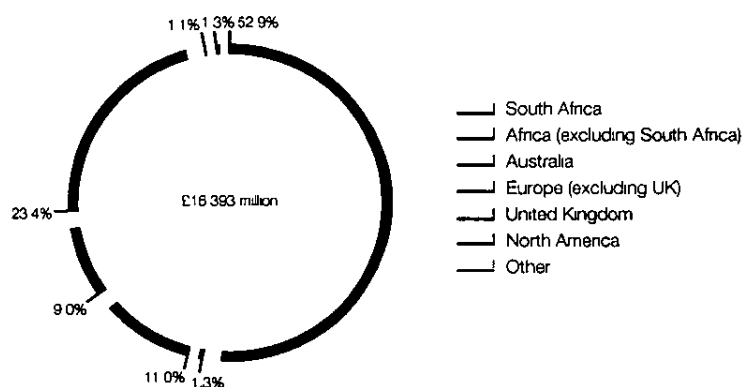
| As at 31 March 2009<br>£'million | UK and Europe  |              |             |
|----------------------------------|----------------|--------------|-------------|
|                                  | Gross defaults | Collateral   | Impairments |
| <b>Private Bank</b>              | <b>168.7</b>   | <b>137.0</b> | <b>35.6</b> |
| Property planning projects       | 79.8           | 66.7         | 14.5        |
| Residential developments         | 59.9           | 44.5         | 17.7        |
| Residential investments          | 10.9           | 8.4          | 2.6         |
| Commercial developments          | 0.6            | 0.6          | -           |
| Commercial investments           | 14.1           | 13.5         | 0.8         |
| Lending to corporates            | 3.4            | 3.3          | -           |
| Professional and other           | -              | -            | -           |
| <b>Capital Markets</b>           | <b>116.4</b>   | <b>80.7</b>  | <b>37.4</b> |
| Principal Finance (RMBS)         | 52.0           | 52.0         | -           |
| Acquisition Finance              | 33.4           | 14.6         | 19.6        |
| Asset Finance                    | 18.7           | 7.2          | 12.4        |
| Project Finance                  | 4.7            | 0.6          | 4.1         |
| Resource Finance                 | 4.2            | 3.4          | 0.8         |
| Structured Finance               | 3.4            | 2.9          | 0.5         |
| <b>Other*</b>                    | <b>0.3</b>     | <b>0.3</b>   | <b>-</b>    |
| <b>Total</b>                     | <b>285.4</b>   | <b>218.0</b> | <b>73.0</b> |

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

### Additional information

An analysis of core loans and advances to customers by country of exposure

31 March 2009



| Gross defaults | Southern Africa |             | Gross defaults | Australia  |             | Gross defaults | Total group |             |
|----------------|-----------------|-------------|----------------|------------|-------------|----------------|-------------|-------------|
|                | Collateral      | Impairments |                | Collateral | Impairments |                | Collateral  | Impairments |
| 199.2          | 223.7           | 32.9        | 138.7          | 153.6      | 13.0        | 506.6          | 514.3       | 81.5        |
| -              | -               | -           | 0.5            | 0.5        | -           | 80.3           | 67.2        | 14.5        |
| 0.3            | 0.3             | -           | 82.0           | 82.7       | 8.9         | 142.2          | 127.5       | 26.6        |
| 41.0           | 53.3            | 2.7         | 11.5           | 11.9       | 0.8         | 63.4           | 73.6        | 6.1         |
| 32.5           | 40.5            | 2.3         | 22.4           | 34.3       | 0.8         | 55.5           | 75.4        | 3.1         |
| 62.7           | 81.2            | 4.7         | 19.4           | 23.0       | 0.9         | 96.2           | 117.7       | 6.4         |
| 56.0           | 44.5            | 19.7        | 0.8            | 0.2        | 0.6         | 60.2           | 48.0        | 20.3        |
| 6.7            | 3.9             | 3.5         | 2.1            | 1.0        | 1.0         | 8.8            | 4.9         | 4.5         |
| 44.3           | 33.1            | 23.7        | 12.4           | 9.8        | 2.6         | 173.1          | 123.6       | 63.7        |
| -              | -               | -           | -              | -          | -           | 52.0           | 52.0        | -           |
| -              | -               | -           | -              | -          | -           | 33.4           | 14.6        | 19.6        |
| -              | -               | -           | -              | -          | -           | 18.7           | 7.2         | 12.4        |
| -              | -               | -           | -              | -          | -           | 4.7            | 0.6         | 4.1         |
| 27.8           | 16.5            | 11.1        | 11.8           | 9.4        | 2.4         | 43.8           | 29.3        | 14.3        |
| 16.5           | 16.6            | 12.6        | 0.6            | 0.4        | 0.2         | 20.5           | 19.9        | 13.3        |
| 19.6           | 11.0            | 11.7        | -              | -          | -           | 19.9           | 11.3        | 11.7        |
| 263.1          | 267.8           | 68.3        | 151.1          | 163.4      | 15.6        | 699.6          | 649.2       | 156.9       |



# Risk management

## Collateral

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

| £'000                                   | Collateral held against<br>Gross core loans and<br>advances | Other credit and<br>counterparty exposures* | Total             |
|-----------------------------------------|-------------------------------------------------------------|---------------------------------------------|-------------------|
| <b>As at 31 March 2009</b>              |                                                             |                                             |                   |
| Eligible financial collateral           | 2 062 959                                                   | 533 935                                     | 2 596 894         |
| Listed shares                           | 1 527 665                                                   | 49 154                                      | 1 576 819         |
| Cash                                    | 530 905                                                     | 255 234                                     | 786 139           |
| Debt securities issued by sovereigns    | 4 389                                                       | 229 547                                     | 233 936           |
| <b>Mortgage bonds</b>                   | <b>18 038 180</b>                                           | <b>28 625</b>                               | <b>18 066 805</b> |
| Residential mortgages                   | 5 562 385                                                   | 14 493                                      | 5 576 878         |
| Residential development                 | 3 092 006                                                   | 12 167                                      | 3 104 173         |
| Commercial property development         | 1 999 913                                                   | 1 954                                       | 2 001 867         |
| Commercial property investments         | 7 383 876                                                   | 11                                          | 7 383 887         |
| <b>Other collateral</b>                 | <b>5 085 153</b>                                            | <b>326 508</b>                              | <b>5 411 661</b>  |
| Unlisted shares                         | 188 949                                                     | 4 788                                       | 193 737           |
| Bonds other than mortgage bonds         | 654 132                                                     | 173 139                                     | 827 271           |
| Debtors, stock, other corporate assets  | 2 701 979                                                   | 5 924                                       | 2 707 903         |
| Guarantees                              | 809 363                                                     | 100 491                                     | 909 854           |
| Credit derivatives                      | 32 764                                                      | -                                           | 32 764            |
| Other                                   | 697 966                                                     | 42 166                                      | 740 132           |
| <b>Total collateral</b>                 | <b>25 186 292</b>                                           | <b>889 068</b>                              | <b>26 075 360</b> |
| Suretyships                             | 1 071 279                                                   | -                                           | 1 071 279         |
| <b>Collateral including suretyships</b> | <b>26 257 571</b>                                           | <b>889 068</b>                              | <b>27 146 639</b> |

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

## Risk management

### Equity and investment risk in the banking book

#### Equity and investment risk description

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

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

#### Management of equity and investment risk

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

| Nature of equity and investment risk                                                  | Management of risk                                                                                          |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| Listed equities                                                                       | Investment Committee, Market Risk Management and ERRF                                                       |
| Investment Banking Principal Finance investments                                      | Investment Committee, the Investment Bank Limited Direct Investments Division Investment Committee and ERRF |
| Embedded derivatives, profit shares and investments arising from lending transactions | Credit Risk Management Committees and ERRF                                                                  |
| Investment and trading properties                                                     | Investment Committee, Investec Property Group Investment Committee in South Africa and ERRF                 |
| Central Funding investments                                                           | Investment Committee and ERRF                                                                               |

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



# Risk management

## Valuation and accounting methodologies

For a description of our valuation principles and methodologies refer to page 246 and pages 276 to 279 for factors taken into consideration in determining fair value. We have a low level of assets exposed to the volatility of IFRS fair value accounting with "level 3" assets amounting to 1% of total assets (refer to page 276 for further information).

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

| Country/category<br>£'000                              | Income (pre funding costs) - for the year ended |          |                                         |          | Fair value<br>through the<br>balance<br>sheet |
|--------------------------------------------------------|-------------------------------------------------|----------|-----------------------------------------|----------|-----------------------------------------------|
|                                                        | Unrealised                                      | Realised | Dividends,<br>net interest<br>and other | Total    |                                               |
| <b>Audited</b>                                         |                                                 |          |                                         |          |                                               |
| <b>31 March 2009</b>                                   |                                                 |          |                                         |          |                                               |
| Unlisted investments                                   | 20 363                                          | 21 024   | 15 129                                  | 56 516   | (1 012)                                       |
| UK and Europe                                          | (13 373)                                        | 832      | (16 829)                                | (29 370) | (572)                                         |
| South Africa                                           | 35 082                                          | 23 831   | 31 601                                  | 90 514   | -                                             |
| Australia                                              | (1 346)                                         | (3 639)  | 357                                     | (4 628)  | (440)                                         |
| Listed equities                                        | (18 892)                                        | (2 248)  | 1 815                                   | (19 325) | (5 569)                                       |
| UK and Europe                                          | (11 392)                                        | (1 529)  | 1 588                                   | (11 333) | (4 582)                                       |
| South Africa                                           | (7 184)                                         | (710)    | 563                                     | (7 331)  | (203)                                         |
| Australia                                              | (316)                                           | (9)      | (336)                                   | (661)    | (784)                                         |
| Investment and trading properties                      | 16 717                                          | 42       | 7 631                                   | *24 390  | -                                             |
| UK and Europe                                          | -                                               | 42       | -                                       | 42       | -                                             |
| South Africa                                           | 16 717                                          | -        | 7 631                                   | 24 348   | -                                             |
| Warrants, profit shares and other embedded derivatives | 1 101                                           | 27 735   | 1 026                                   | 29 862   | -                                             |
| UK and Europe                                          | 1 868                                           | 20 277   | 273                                     | 22 418   | -                                             |
| South Africa                                           | 2 184                                           | 7 458    | 753                                     | 10 395   | -                                             |
| Australia                                              | (2 951)                                         | -        | -                                       | (2 951)  | -                                             |
| Total                                                  | 19 289                                          | 46 553   | 25 601                                  | 91 443   | (6 581)                                       |
| <b>31 March 2008</b>                                   |                                                 |          |                                         |          |                                               |
| Unlisted investments                                   | 50 547                                          | 22 846   | 60 467                                  | 133 860  | 1 687                                         |
| UK and Europe                                          | (1 892)                                         | 12 854   | 36 981                                  | 47 943   | 1 687                                         |
| South Africa                                           | 49 942                                          | 8 947    | 23 170                                  | 82 059   | -                                             |
| Australia                                              | 2 497                                           | 1 045    | 316                                     | 3 858    | -                                             |
| Listed equities                                        | (6 486)                                         | 35 196   | (756)                                   | 27 955   | (8 173)                                       |
| UK and Europe                                          | 3 616                                           | 15 077   | 362                                     | 19 055   | (4 705)                                       |
| South Africa                                           | (9 375)                                         | 19 646   | (2 013)                                 | 8 258    | (1 679)                                       |
| Australia                                              | (726)                                           | 473      | 895                                     | 642      | (1 789)                                       |
| Investment and trading properties                      | 49 714                                          | 8 882    | 14 331                                  | 72 927   | -                                             |
| South Africa                                           | 49 714                                          | 8 882    | 14 331                                  | 72 927   | -                                             |
| Warrants, profit shares and other embedded derivatives | (3 847)                                         | 44 293   | 5 446                                   | 45 893   | -                                             |
| UK and Europe                                          | (5 805)                                         | 39 070   | 5 064                                   | 38 330   | -                                             |
| South Africa                                           | 1 958                                           | 5 223    | 382                                     | 7 563    | -                                             |
| Total                                                  | 89 929                                          | 111 217  | 79 488                                  | 280 635  | (6 486)                                       |

Unrealised revaluation gains are included in Tier 1 capital. Revaluations that are posted directly to equity are excluded from capital within Investec Limited and included in Tier 2 capital within Investec plc.

\* Post funding costs

## Risk management

### Summary of investments held and stress testing analyses

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

| Country/category<br>£'000                              | On balance<br>sheet value of<br>investments<br>31 March<br>2009 | Valuation<br>change<br>stress test<br>31 March<br>2009 | On balance<br>sheet value of<br>investments<br>31 March<br>2008 | Valuation<br>change<br>stress test<br>31 March<br>2008 |
|--------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------|
| <b>Audited</b>                                         |                                                                 |                                                        |                                                                 |                                                        |
| Unlisted investments                                   | 490 982                                                         | 73 647                                                 | 365 189                                                         | 54 778                                                 |
| UK and Europe                                          | 120 689                                                         | 18 103                                                 | 120 872                                                         | 18 131                                                 |
| South Africa                                           | 350 364                                                         | 52 555                                                 | 225 249                                                         | 33 787                                                 |
| Australia                                              | 19 929                                                          | 2 989                                                  | 19 068                                                          | 2 860                                                  |
| Listed equities                                        | 115 793                                                         | 27 628                                                 | 96 711                                                          | 24 193                                                 |
| UK and Europe                                          | 37 060                                                          | 7 945                                                  | 40 359                                                          | 10 090                                                 |
| South Africa                                           | 77 558                                                          | 19 389                                                 | 54 520                                                          | 13 630                                                 |
| Australia                                              | 1 175                                                           | 294                                                    | 1 892                                                           | 473                                                    |
| Investment and trading properties                      | 228 884                                                         | 27 082                                                 | 174 091                                                         | 8 787                                                  |
| UK and Europe                                          | 8 480                                                           | 1 696                                                  | -                                                               | -                                                      |
| South Africa                                           | 220 404                                                         | 25 386                                                 | 174 091                                                         | 8 787                                                  |
| Warrants, profit shares and other embedded derivatives | 103 199                                                         | 36 120                                                 | 65 640                                                          | 22 974                                                 |
| UK and Europe                                          | 63 463                                                          | 22 212                                                 | 41 879                                                          | 14 658                                                 |
| South Africa                                           | 38 866                                                          | 13 603                                                 | 23 761                                                          | 8 316                                                  |
| Australia                                              | 870                                                             | 305                                                    | -                                                               | -                                                      |
| <b>Total</b>                                           | <b>938 858</b>                                                  | <b>164 477</b>                                         | <b>701 691</b>                                                  | <b>110 732</b>                                         |

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

#### Stress test values applied

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

### Stress testing summary

Based on the information above we could have a £164 million reversal in revenue (which assumes a year in which there is a "worst case 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 159 for further detail.





# Risk management

## Traded market risk management

### Traded market risk description Audited

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

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

### Traded market risk governance structure Audited

To manage, measure and mitigate market risk, we have independent market risk management teams in each geography where we assume market risk. Local limits have been set to keep potential losses within acceptable risk tolerance levels. A Global Market Risk Forum (mandated by the various boards of directors) manages the market risks in accordance with pre-approved principles and policies.

Risk limits are reviewed and set at the Global Market Risk Forum and ratified at the ERRF. Limits are reviewed either annually, 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. Trading is also limited to the most liquid instruments and each traded instrument undergoes various stresses to assess potential losses. Each trading desk is monitored on an overall basis as an additional control. Trading limits are generally tiered with the most liquid and least 'risky' instruments being assigned the largest limits.

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

Measurement techniques used to quantify market risk arising from our trading activities include sensitivity analysis, Value at Risk (VaR) and Expected Tail Loss (ETL). Stress testing and scenario analysis are also used to simulate extreme conditions to supplement these core measures.

VaR numbers are monitored at the 95%, 99% and 100% (maximum loss) confidence intervals. ETLs are monitored at the 95% and 99% levels. Scenario analysis considers the impact of a significant market event on our current trading portfolios. We consider the impact for the 10 days after the event, not merely the instantaneous shock to the markets. Included in our scenario analysis are for example the following, October 1987 (Black Monday), 11 September 2001 and the December Rand crisis in 2001.

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

In South Africa, we use our internal models for market risk measurement which in effect puts us at the level of the advanced approach for Basel II. In terms of this model, trading capital is calculated as a function of the 99% 10-day VaR. Backtesting results and a detailed stress testing pack are submitted to the regulator on a monthly basis. In the UK, all desks are currently on Capital Adequacy (CAD) 1 level, while we are in the process of applying for CAD1 model extensions for the Structured Equity desk.

## Risk management

### VaR

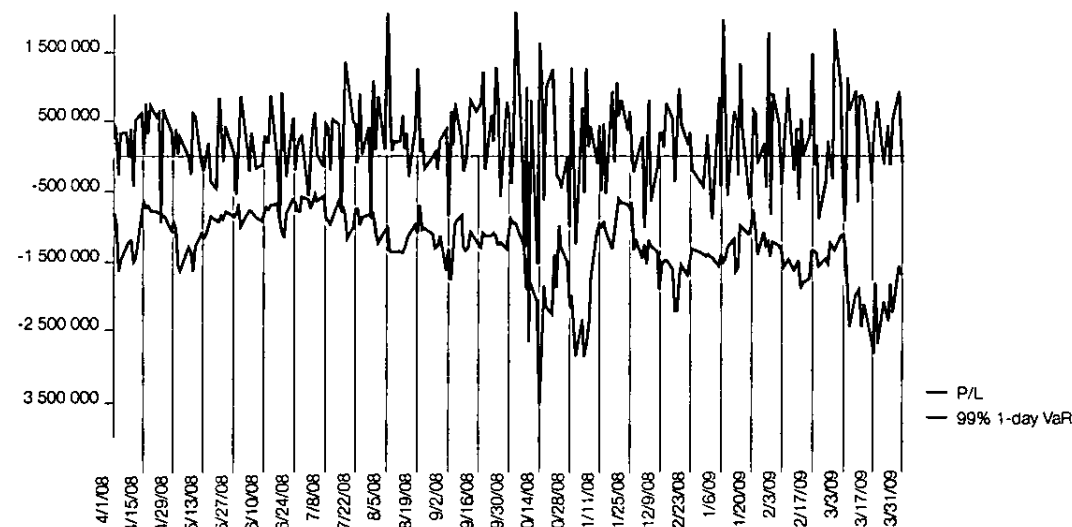
| Audited            | UK and Europe<br>95% (one-day)<br>£'000 | Australia<br>99% (one-day)<br>AUD'000 | South Africa<br>95% (one-day)<br>R'mn |
|--------------------|-----------------------------------------|---------------------------------------|---------------------------------------|
| 31 March 2009      |                                         |                                       |                                       |
| Commodities        | 42                                      | -                                     | 0.3                                   |
| Equity derivatives | 629                                     | -                                     | 2.8                                   |
| Foreign exchange   | 25                                      | 14                                    | 2.9                                   |
| Interest rates     | 759                                     | 52                                    | 0.9                                   |
| Consolidated*      | 996                                     | 66                                    | 4.1                                   |
| High               | 2 497                                   | 307                                   | 15.3                                  |
| Low                | 341                                     | 60                                    | 2.1                                   |
| Average            | 738                                     | 139                                   | 4.5                                   |
| 31 March 2008      |                                         |                                       |                                       |
| Commodities        | 93                                      | -                                     | 0.4                                   |
| Equity derivatives | 275                                     | -                                     | 4.0                                   |
| Foreign exchange   | 23                                      | 34                                    | 1.8                                   |
| Interest rates     | 397                                     | 343                                   | 0.4                                   |
| Consolidated*      | 434                                     | 374                                   | 3.8                                   |
| High               | 951                                     | 374                                   | 10.8                                  |
| Low                | 130                                     | 59                                    | 1.9                                   |
| Average            | 385                                     | 178                                   | 6.2                                   |

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

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

#### UK and Europe

##### 99% 1-day VaR backtesting (GBP)

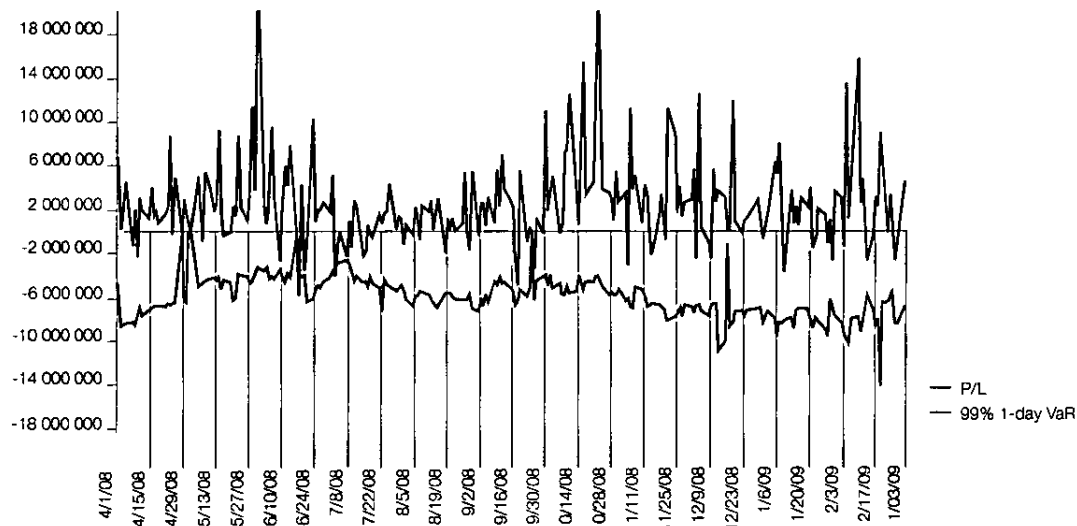


There have been five exceptions, i.e. where the loss is greater than the VaR. This exceeds the exceptions at the 99% level. Most of these exceptions were marginal and arose due to significant volatility on the Fixed Income desk. The largest variance was due to an extreme rise in the implied volatility in Euribor rates at the beginning of October 2008.

# Risk management

## South Africa

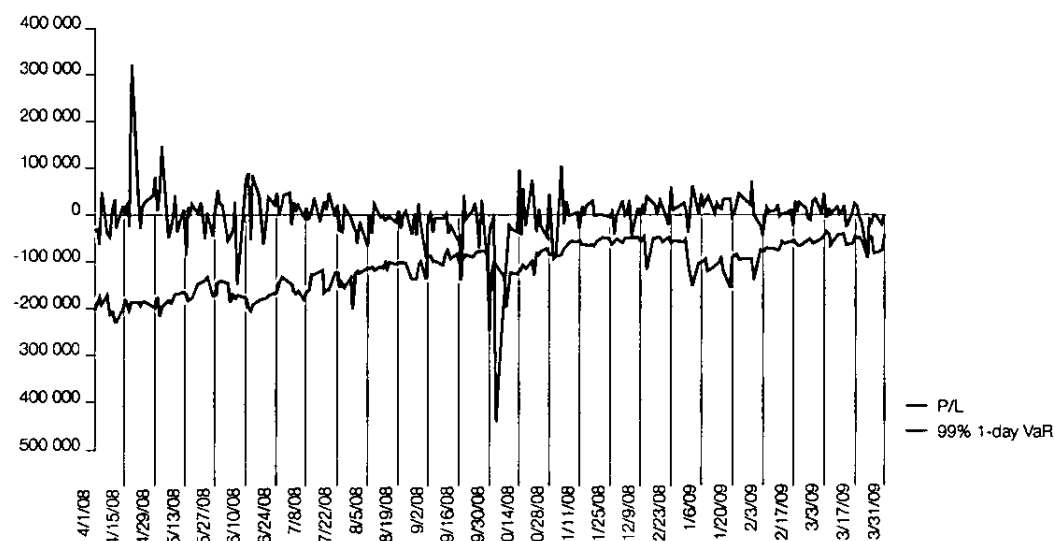
99% 1-day VaR backtesting (Rands)



There have been two exceptions, i.e. where the loss is greater than the VaR. These exceptions were mainly due to the sudden increased volatility in the interest rate and foreign exchange markets in the middle of 2008. Both exceptions were marginal and in line with the 99% confidence interval expectations.

## Australia

99% 1-day VaR backtesting (AUD)



There have been four exceptions, i.e. where the loss is greater than the VaR. This exceeds the exceptions at the 99% level. The largest exceptions arose in the beginning of October 2008. The breach on 3 October 2008 was caused by a combination of a large parallel decrease in AUD interest rates, a large parallel increase in gold lease rates and a depreciation in the AUD exchange rate. The breach on 7 October 2008 was caused by a large parallel decrease in AUD interest rates and a depreciation in the AUD exchange rate.

## Risk management

### ETL

| Audited            | Investec plc           | Investec Limited      |
|--------------------|------------------------|-----------------------|
|                    | 95% (one-day)<br>£'000 | 95% (one-day)<br>R'mn |
| 31 March 2009      |                        |                       |
| Commodities        | 78                     | 0.6                   |
| Equity derivatives | 929                    | 4.4                   |
| Foreign exchange   | 39                     | 5.4                   |
| Interest rates     | 1,359                  | 1.4                   |
| Consolidated*      | 1,653                  | 6.8                   |
| 31 March 2008      |                        |                       |
| Commodities        | 134                    | 0.5                   |
| Equity derivatives | 347                    | 6.1                   |
| Foreign exchange   | 31                     | 2.7                   |
| Interest rates     | 581                    | 0.7                   |
| Consolidated*      | 648                    | 5.7                   |

\* The consolidated VaR for each desk and each entity is lower than the sum of the individual

### Stress testing

The table below indicates the potential losses that could arise if the portfolio is stress tested under extreme market conditions (15 standard deviations)

| Audited            | UK and Europe<br>using VaR<br>£'000 | Australia<br>using VaR<br>AUD'000 | South Africa<br>using VaR<br>R'mn |
|--------------------|-------------------------------------|-----------------------------------|-----------------------------------|
|                    |                                     |                                   |                                   |
| 31 March 2009      |                                     |                                   |                                   |
| Commodities        | 324                                 | -                                 | 2.3                               |
| Equity derivatives | 4,812                               | -                                 | 21.7                              |
| Foreign exchange   | 193                                 | 81                                | 22.1                              |
| Interest rates     | 5,812                               | 302                               | 7.2                               |
| Consolidated       | 11,141                              | 383                               | 53.3                              |
| 31 March 2008      |                                     |                                   |                                   |
| Commodities        | 712                                 | -                                 | 3.1                               |
| Equity derivatives | 2,105                               | -                                 | 30.6                              |
| Foreign exchange   | 176                                 | 200                               | 13.8                              |
| Interest rates     | 3,038                               | 1,995                             | 3.1                               |
| Consolidated       | 6,031                               | 2,195                             | 50.6                              |

Risk and governance

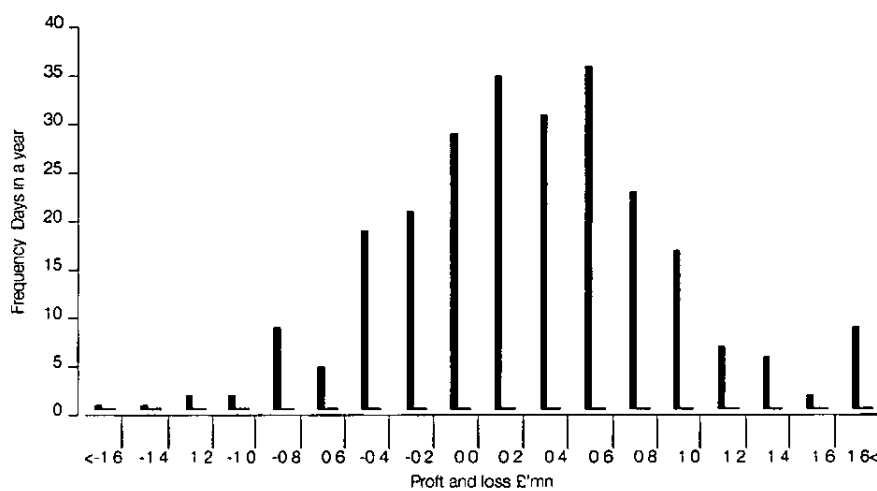


# Risk management

## Profit and loss histograms

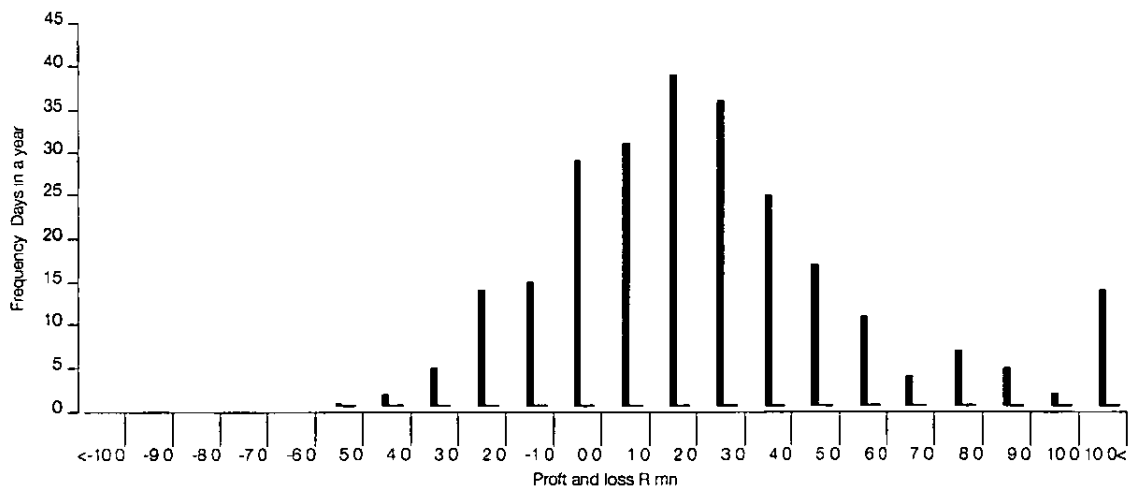
### UK and Europe

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 trading revenue was realised on 166 days out of a total of 255 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2009 was £244 000.



### South Africa

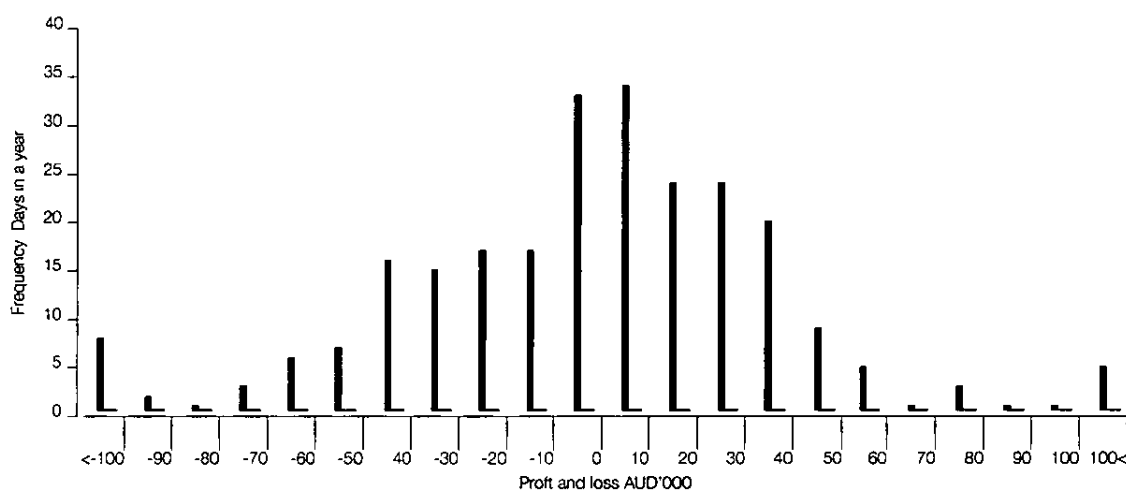
The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is skewed to the profit side and the graph shows that trading revenue was realised on 191 days out of a total of 258 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2009 was R2.5 million.



# Risk management

## Australia

The histogram below illustrates the distribution of daily revenue during the financial year for our trading businesses. The distribution is more normally distributed, the graph shows that trading revenue was realised on 160 days out of a total of 252 days in the trading business. The average daily trading revenue generated for the year ended 31 March 2009 was AUD5 thousand



## Traded market risk mitigation

The Market Risk Management team is located outside the dealing room, thereby ensuring independence. The risk management software runs independently from source trading systems and values all trades separately. The values from the two systems are compared daily. The values from the risk system are also used for profit attribution, another risk management tool.

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

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

## Traded market risk year in review

The past year has been marked by extreme market movements, both in direction and volatility.

Investec's South African model of basing trades on client flow has once again proved to be successful as all trading desks have, to a varying degree, been profitable.

In the UK the Structured Equity desk has experienced strong growth in their retail product sales and they continue to expand their product range. The Fixed Income and Forex desks have also performed well benefiting from both the increased volatility and flows.

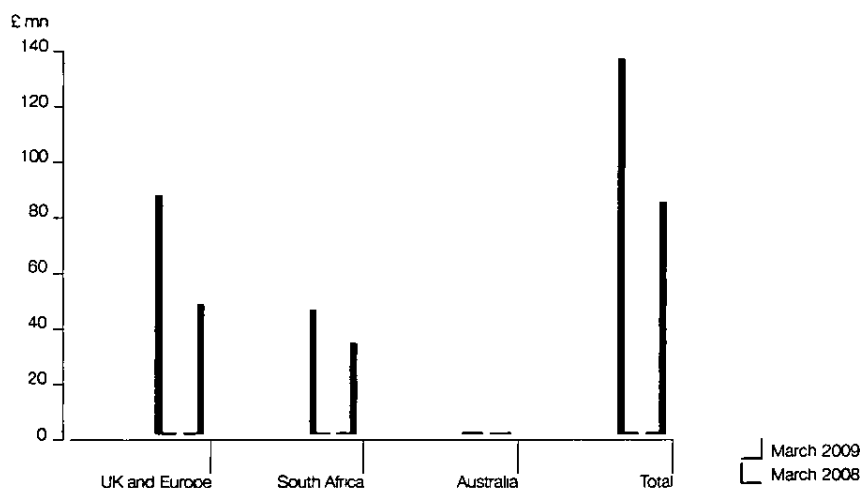
Australian trading activity remains modest with the focus being mainly commodity hedging.

The majority of revenue earned from our trading activities within the Capital Markets division is related to client flow activity.



## Risk management

Revenue from trading activities within our Capital Markets division



### Market risk - derivatives Audited

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

Information showing our derivative trading portfolio over the reporting period on the basis of the notional principal and the fair value of all derivatives can be found on page 280.

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

## Balance sheet risk management

### Balance sheet risk description

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

### Balance sheet risk governance structure

Management believes that a centralised framework permits active global management of balance sheet risk in this complex environment. Balance sheet risk management is discharged within each geography, using regional expertise and local market access as appropriate, continuously assessing the risks whilst taking changes in market conditions into account. Under the delegated authority of the board of directors, Asset and Liability Management Committees (ALCOs) within each region are mandated to manage the balance sheet risks on a consistent basis with pre-approved principles and policies across all business activities without exception. Detailed policies cover both domestic and foreign currency funds and set out sources and amounts of funds necessary to ensure the continuation of our operations without undue interruption. Each region further ensures that the liquidity management framework is compatible with local regulatory requirements and limits are set according to the depth and liquidity of the market in which we operate.

## Risk management

We continue to improve risk measurement processes and methodologies in line with regulatory requirements and banking industry best practice. The Balance Sheet Risk Management team ensure that a comprehensive and consistent governance framework for balance sheet risk management is followed across the group. The Balance Sheet Risk Management team independently identifies, quantifies and monitors risks, providing governance and oversight of the Treasury activities (within the Capital Markets division), and the execution of our policy, to management, ALCO, ERRF, BRCC and the board. In carrying out its duties the Balance Sheet Risk Management team monitors historical liquidity trends, tracks prospective on- and off-balance sheet liquidity obligations, identifies and measures internal and external liquidity warning signals which permit early detection of liquidity issues (including identification and testing of various company-specific and market-driven stress scenarios) through daily liquidity reporting and scenario analysis which quantify our positions. The governance framework adopted for the management of structural interest rate risk in the banking book mirrors that of liquidity risk. The risk is transferred to and managed within our Treasury operations.

### Balance sheet risk mitigation

The Treasury function centrally directs the raising of wholesale liabilities, establishes and maintains access to stable funds with the appropriate tenor and pricing characteristics, and manages liquid securities and collateral, providing for a controlled and flexible response to volatile market conditions. The Treasury function is the sole interface with the wholesale market for both cash and derivative transactions, and actively manages the liquidity mismatch and non-trading interest rate risk arising from our asset and liability portfolios. The Treasury function is required to exercise tight control over funding, liquidity, concentration and non-trading interest rate risk within conservative parameters.

Balance Sheet Risk Management combines traditional gap analysis and quantitative models, including stress tests. This is designed to measure the range of possible future liquidity needs and potential distribution of net interest income and economic value under various scenarios covering a spectrum of events in which we could find ourselves and prepare accordingly. The modelling process is supported by ongoing technical and economic analysis. The result is formally reported to management, ERRF, BRCC and the board on a regular basis. The entire process is underpinned by a system of extensive internal and external controls.

An active presence is maintained in professional markets and each jurisdiction manages the wholesale money market capacity for our name, supported by efforts in relationship management with corporate and institutional clients. Important factors in assuring the stability of unsecured funding are competitive rates, the maintenance of depositors' confidence and our reputation.

### Non-trading interest rate risk description

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

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

### Management and measurement of non-trading interest rate risk

Non-trading interest rate risk in the banking book is a normal part of banking and arises from the provision of retail, private client and wholesale (non-trading) banking products and services. We are exposed to repricing risk due to timing differences in the fixed rate maturity and floating rate repricing of bank assets, liabilities and derivative positions. Additionally we are exposed to yield curve and basis risk, due to the difference in repricing characteristics of two floating-rate indices. We are not materially exposed to optionality risk, as contract breakage penalties on fixed-rate advances specifically cover this risk.

Non-trading interest rate risk is measured and managed both from a net interest margin (earnings) perspective over a specified time horizon, and the sensitivity of economic value of equity to hypothetical changes to market factors on the current values of financial assets and liabilities. Economic value measures have the advantage that all future cash flows are considered and therefore can highlight risk beyond the earnings horizon. The aim is to protect and enhance net interest income and economic value in accordance with the board approved risk appetite. The standard tools that are used to measure the sensitivity of earnings to changes in interest rates are the repricing gap which provides a basic representation of the balance sheet structure and allows for the detection of interest rate risk by concentration of repricing, net interest income sensitivity which measures the change in accruals expected over the specified horizon in response to a shift in the yield curve, and economic value sensitivity and stress-testing to macroeconomic movement or changes which measures the interest risk implicit change in net worth as a result of a change in interest rates on the current values of financial assets and liabilities. This combination of measures provides senior management (and ALCO) with an assessment of the financial impact of identified rate changes on potential future net interest income and sensitivity to changes in economic value. This is consistent with the standardised interest rate measurement recommended by the Basel II framework for assessing banking book (non-trading) interest rate risk.





## Risk management

Operationally, non-trading interest rate risk is transferred from the originating business to the Treasury function and aggregated or netted. The Treasury function then implements appropriate balance sheet strategies to achieve a cost-effective source of funding and mitigates any residual undesirable risk where possible, by transferring the risk into the trading books within the Capital Markets division and managing these under market risk limits. Policy requires that interest rate risk arising from fixed interest loans is transferred from the originating business to Treasury by match-funding. In turn, Central Treasury hedges all fixed rate assets with a term of more than one year on a deal-by-deal basis to within 3-months repricing with the use of variable vs. fixed interest rate swaps. The market for these vanilla swaps is deep, with the result that such hedging is efficient. Likewise, Treasury hedges all fixed rate deposits with a term of more than one year to within 3-months repricing. Limits exist to ensure there is no undesired risk retained within any business or product area. The process is supported by technical interest rate analysis and economic review of fundamental developments by geography taking global trends into account.

Treasury have an obligation to manage the market risk within our statutory and surplus liquid assets portfolios. The Treasury mandate allows for tactically responding to market opportunities which may arise during changing interest rate cycles. Although these portfolios also form part of the non-trading book, they are marked-to-market and are risk managed within predefined risk limits.

### Interest rate sensitivity gap

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

#### UK and Europe - interest rate sensitivity

| £'million                         | Not ><br>3 months | > 3<br>months<br>but < 6<br>months | > 6<br>months<br>but < 1<br>year | > 1<br>year but<br>< 5 years | > 5<br>years | Non-rate     | Total<br>non-<br>trading |
|-----------------------------------|-------------------|------------------------------------|----------------------------------|------------------------------|--------------|--------------|--------------------------|
| Cash and short-term funds - banks | 1 698             | -                                  | -                                | -                            | -            | -            | 1 698                    |
| Investment/trading assets         | 733               | 47                                 | 7                                | 3                            | -            | 327          | 1 117                    |
| Securitised assets                | 4 136             | 83                                 | 10                               | -                            | -            | -            | 4 229                    |
| Advances                          | 6 401             | 837                                | 303                              | 414                          | 123          | -            | 8 078                    |
| Other assets                      | -                 | -                                  | -                                | -                            | -            | 973          | 973                      |
| <b>Assets</b>                     | <b>12 968</b>     | <b>967</b>                         | <b>320</b>                       | <b>417</b>                   | <b>123</b>   | <b>1 300</b> | <b>16 095</b>            |
| Deposits - banks                  | (3 697)           | (137)                              | (197)                            | (59)                         | (65)         | -            | (4 155)                  |
| Deposits - non-banks              | (3 819)           | (235)                              | (170)                            | (4)                          | (53)         | (15)         | (4 296)                  |
| Negotiable paper                  | (230)             | (2)                                | -                                | (82)                         | -            | -            | (314)                    |
| Securitised liabilities           | (3 947)           | -                                  | -                                | -                            | -            | -            | (3 947)                  |
| Investment/trading liabilities    | (866)             | (78)                               | -                                | -                            | -            | (24)         | (968)                    |
| Subordinated liabilities          | (90)              | -                                  | (10)                             | (200)                        | (404)        | (25)         | (729)                    |
| Other liabilities                 | -                 | -                                  | -                                | -                            | -            | (534)        | (534)                    |
| <b>Liabilities</b>                | <b>(12 649)</b>   | <b>(452)</b>                       | <b>(377)</b>                     | <b>(345)</b>                 | <b>(522)</b> | <b>(598)</b> | <b>(14 943)</b>          |
| Shareholders' funds               | -                 | -                                  | -                                | -                            | -            | (1 152)      | (1 152)                  |
| <b>Balance sheet</b>              | <b>319</b>        | <b>515</b>                         | <b>(57)</b>                      | <b>72</b>                    | <b>(399)</b> | <b>450</b>   | <b>1 152</b>             |
| Off-balance sheet                 | 135               | (455)                              | (28)                             | (51)                         | 399          | -            | -                        |
| Repricing gap                     | 454               | 60                                 | (85)                             | 21                           | -            | (450)        | -                        |
| Cumulative repricing gap          | 454               | 514                                | 429                              | 450                          | 450          | -            | -                        |

Risk and governance



## Risk management

### South Africa - interest rate sensitivity

| R'million                             | Not ><br>3 months | > 3<br>months<br>but < 6<br>months | > 6<br>months<br>but < 1<br>year | > 1<br>year but<br>< 5 years | > 5<br>years   | Non-rate        | Total<br>non-<br>trading |
|---------------------------------------|-------------------|------------------------------------|----------------------------------|------------------------------|----------------|-----------------|--------------------------|
| Cash and short-term funds - banks     | 11 564            | -                                  | -                                | -                            | -              | 3 286           | 14 850                   |
| Cash and short-term funds - non-banks | 5 378             | -                                  | -                                | -                            | -              | -               | 5 378                    |
| Investment/trading assets             | 12 905            | 4 573                              | 2 837                            | 425                          | 100            | 14 137          | 34 977                   |
| Securitized assets                    | 12 626            | 24                                 | 49                               | 271                          | 43             | -               | 13 013                   |
| Advances                              | 92 919            | 2 623                              | 1 457                            | 9 968                        | 5 194          | -               | 112 161                  |
| Other assets                          | 195               | -                                  | -                                | -                            | -              | 5 606           | 5 801                    |
| <b>Assets</b>                         | <b>135 587</b>    | <b>7 220</b>                       | <b>4 343</b>                     | <b>10 664</b>                | <b>5 337</b>   | <b>23 029</b>   | <b>186 180</b>           |
| Deposits - banks                      | (11 954)          | (115)                              | (90)                             | -                            | -              | -               | (12 159)                 |
| Deposits - non-banks                  | (108 460)         | (7 116)                            | (3 909)                          | (2 283)                      | (681)          | (2 070)         | (124 519)                |
| Negotiable paper                      | (622)             | (300)                              | (20)                             | -                            | -              | (12)            | (954)                    |
| Securitized liabilities               | (10 235)          | -                                  | -                                | (865)                        | -              | -               | (11 100)                 |
| Investment/trading liabilities        | -                 | -                                  | -                                | -                            | -              | (1 425)         | (1 425)                  |
| Subordinated liabilities              | (1 141)           | -                                  | -                                | (3 750)                      | (200)          | -               | (5 091)                  |
| Other liabilities                     | (2 573)           | (109)                              | (386)                            | (431)                        | (140)          | (9 221)         | (12 860)                 |
| <b>Liabilities</b>                    | <b>(134 985)</b>  | <b>(7 640)</b>                     | <b>(4 405)</b>                   | <b>(7 329)</b>               | <b>(1 021)</b> | <b>(12 728)</b> | <b>(168 108)</b>         |
| Intercompany loans                    | (1 189)           | (311)                              | (458)                            | (7)                          | (102)          | -               | (2 067)                  |
| Shareholders' funds                   | (3 749)           | -                                  | -                                | -                            | -              | (12 165)        | (15 914)                 |
| <b>Balance sheet</b>                  | <b>(4 336)</b>    | <b>(731)</b>                       | <b>(520)</b>                     | <b>3 328</b>                 | <b>4 214</b>   | <b>(1 864)</b>  | <b>91</b>                |
| Off-balance sheet                     | (2 666)           | 12 481                             | (3 780)                          | (3 260)                      | (2 866)        | -               | (91)                     |
| Repricing gap                         | (7 002)           | 11 750                             | (4 300)                          | 68                           | 1 348          | (1 864)         | -                        |
| Cumulative repricing gap              | (7 002)           | 4 748                              | 448                              | 516                          | 1 864          | -               | -                        |

### Australia - interest rate sensitivity

| AUD'million                       | Not ><br>3 months | > 3<br>months<br>but < 6<br>months | > 6<br>months<br>but < 1<br>year | > 1<br>year but<br>< 5 years | > 5<br>years | Non-rate     | Total<br>non-<br>trading |
|-----------------------------------|-------------------|------------------------------------|----------------------------------|------------------------------|--------------|--------------|--------------------------|
| Cash and short-term funds - banks | 275               | -                                  | -                                | -                            | -            | -            | 275                      |
| Investment/trading assets         | 1 130             | -                                  | 28                               | 139                          | 51           | 218          | 1 566                    |
| Securitized assets                | 251               | 59                                 | 110                              | 484                          | 8            | -            | 912                      |
| Advances                          | 1 732             | 71                                 | 43                               | 134                          | 16           | -            | 1 996                    |
| Other assets                      | -                 | -                                  | -                                | -                            | -            | 196          | 196                      |
| <b>Assets</b>                     | <b>3 388</b>      | <b>130</b>                         | <b>181</b>                       | <b>757</b>                   | <b>75</b>    | <b>414</b>   | <b>4 945</b>             |
| Deposits - banks                  | (211)             | -                                  | -                                | -                            | -            | -            | (211)                    |
| Deposits - non-banks              | (1 357)           | (157)                              | (124)                            | (62)                         | (8)          | (49)         | (1 757)                  |
| Negotiable paper                  | (860)             | (18)                               | (30)                             | (400)                        | -            | 7            | (1 301)                  |
| Securitized liabilities           | (907)             | -                                  | -                                | -                            | -            | -            | (907)                    |
| Investment/trading liabilities    | -                 | -                                  | -                                | (4)                          | (1)          | (145)        | (150)                    |
| Subordinated liabilities          | (101)             | -                                  | -                                | -                            | -            | -            | (101)                    |
| Other liabilities                 | -                 | -                                  | -                                | -                            | -            | (28)         | (28)                     |
| <b>Liabilities</b>                | <b>(3 436)</b>    | <b>(175)</b>                       | <b>(154)</b>                     | <b>(466)</b>                 | <b>(9)</b>   | <b>(215)</b> | <b>(4 455)</b>           |
| Intercompany loans                | 121               | -                                  | -                                | (4)                          | -            | 13           | 130                      |
| Shareholders' funds               | -                 | -                                  | -                                | -                            | -            | (620)        | (620)                    |
| <b>Balance sheet</b>              | <b>73</b>         | <b>(45)</b>                        | <b>27</b>                        | <b>287</b>                   | <b>66</b>    | <b>(408)</b> | <b>-</b>                 |
| Off-balance sheet                 | 538               | (32)                               | (14)                             | (350)                        | (60)         | -            | 82                       |
| Repricing gap                     | 611               | (77)                               | 13                               | (63)                         | 6            | (408)        | 82                       |
| Cumulative repricing gap          | 611               | 534                                | 547                              | 484                          | 490          | 82           | -                        |



# Risk management

## Economic value sensitivity

As discussed above our preference for monitoring and measuring non-trading interest rate risk is economic value sensitivity. The tables below reflect our economic value sensitivity to a 2% parallel shift in interest rates assuming no management intervention, i.e. the numbers represent the change in our net asset value should such a hypothetical scenario arise.

### UK and Europe

| £million   | Sensitivity to the following interest rates<br>(expressed in original currencies) |       |       |             | All   |
|------------|-----------------------------------------------------------------------------------|-------|-------|-------------|-------|
|            | GBP                                                                               | USD   | EUR   | Other (GBP) | (GBP) |
| 200bp down | (0.5)                                                                             | 0.8   | (0.6) | 0.3         | (0.2) |
| 200bp up   | 0.5                                                                               | (0.8) | 0.6   | (0.3)       | 0.2   |

### South Africa

| £million   | Sensitivity to the following interest rates<br>(expressed in original currencies) |       |     |       | All    |
|------------|-----------------------------------------------------------------------------------|-------|-----|-------|--------|
|            | ZAR                                                                               | GBP   | USD | AUD   | (ZAR)  |
| 200bp down | (12.7)                                                                            | (0.1) | 0.2 | 0.2   | (9.5)  |
| 200bp up   | (13.9)                                                                            | 0.3   | 0.1 | (0.1) | (10.2) |

### Australia

| £million   | AUD   |
|------------|-------|
| 200bp down | 1.9   |
| 200bp up   | (1.9) |

## 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, including repaying depositors or maturing wholesale debt. This risk is inherent in all banking operations and can be impacted by a range of institution-specific and market-wide events.

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

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

## Management and measurement of liquidity risk

Liquidity management is vital for protecting our depositors, preserving market confidence, safeguarding our reputation and ensuring sustainable growth with established funding sources. Through active liquidity management, we seek to preserve stable, reliable and cost-effective sources of funding. To accomplish this, management uses a variety of liquidity risk measures that consider market conditions, prevailing interest rates, projected balance sheet growth, and future funding and liquidity needs, whilst taking the desired nature and profile of liabilities into account. These metrics are used to develop our funding strategy and measure and manage the execution thereof. The funding plan details the proportion of our external assets which are funded by customer liabilities, unsecured wholesale debt, equity and loan capital thus maintaining an appropriate mix of term funding and strong balance sheet liquidity ratios within approved risk limits.

The bank maintains an internal funds transfer pricing system based on prevailing market rates, thus signalling the right incentive to our lending businesses. Central Treasury charge out the cost of long- and short-term funding to internal consumers of liquidity and provide long-term stable funding for our asset creation activity.

We are an active participant in the global financial markets. Our relationship is continuously enhanced through regular investor presentations internationally. During the year we have instituted various unsecured term syndicated loan programmes to broaden and diversify term-funding in supplementary markets and currencies, enhancing the proven capacity to borrow in the money markets during challenging conditions and global market dislocation. Decisions on the timing and tenor of accessing these markets are based on relative costs, general market conditions, prospective views of balance sheet growth and a targeted liquidity profile.

## Risk management

We place great value on the establishment of strong relationships with all our investors and we maintain an active presence in the money markets in each region within which we operate. We benefit from stable unsecured liability balances through the normal course of business. These liability balances are a consistent source of funding due to the nature of the businesses from which they are generated.

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

We acknowledge the importance of our private clients as the principal source of stable and well diversified funding for our Private Bank risk assets without recourse to the wholesale markets. We continue to develop products to attract and service the investment needs of our Private Bank clients. Although the contractual repayments of many customer accounts are on demand or at short notice, expected cash flows vary significantly from contractual maturity. For this reason, behavioural profiling is applied to liabilities with an indeterminable maturity. This process is used to identify sources of structural liquidity in the form of core deposits that exhibit stable behaviour. Our Private Bank continued to successfully raise private client deposits through a period of dislocation in the financial markets with customer deposits increasing by 17.0% to £7.7 billion over the financial year.

We engage in transactions that involve the use of both special purpose entities and asset securitisation structures in connection with the sale of certain mortgages that provides our customers with access to the commercial paper market. Securitisation represents a relatively modest proportion of our current funding profile, but provides additional flexibility and a source of liquidity. These entities form part of the consolidated group balance sheet as reported.

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 well in excess of the statutory requirements as protection against unexpected disruptions in cash flows. In aggregate, Investec is a net liquidity provider to the interbank market, placing significantly more funds with other banks than our short-term interbank borrowings. These portfolios are managed within limits and, apart from acting as a buffer under going concern conditions, also form an integral part of the broader liquidity generation strategy in the unlikely event of a liquidity crunch. From 1 April 2008 to 31 March 2009 average cash and near cash balances over the period amounted to £4.9 billion (£1.7 billion in UK and Europe, R41.3 billion in South Africa and AUD1.0 billion in Australia).

A key component of our liquidity management framework is assumptions-based planning and scenario modelling to estimate the funding requirement to meet expected growth. Anticipated on- and off-balance sheet cash flows are subjected to a variety of scenarios in order to evaluate the impact of both likely outcomes and unlikely but plausible events on liquidity positions. Scenarios and liquidity stress tests are designed to measure and manage the liquidity position such that payment obligations can be met under a wide range of normal and stressed market conditions, in which the rate and timing of deposit withdrawals and drawdowns on lending facilities are varied, and the ability to access funding and to generate funds from asset portfolios is restricted. Our liquidity risk parameters reflect a range of liquidity stress assumptions which are reviewed regularly and updated as needed. Operationally the preparation of cash flow projections (for assets and liabilities) and funding requirements corresponding to the forecasted cash flow mismatch are translated into flexible short- and long-term funding plans within each legal entity and globally. This ensures the smooth management of the day-to-day liquidity position within conservative parameters and further validates that, in the event of either a firm-specific or general market event, we are able to generate sufficient liquidity to withstand short-term liquidity stress.

We are currently unaware of any circumstances that could significantly detract from our ability to raise funding appropriate to our needs.

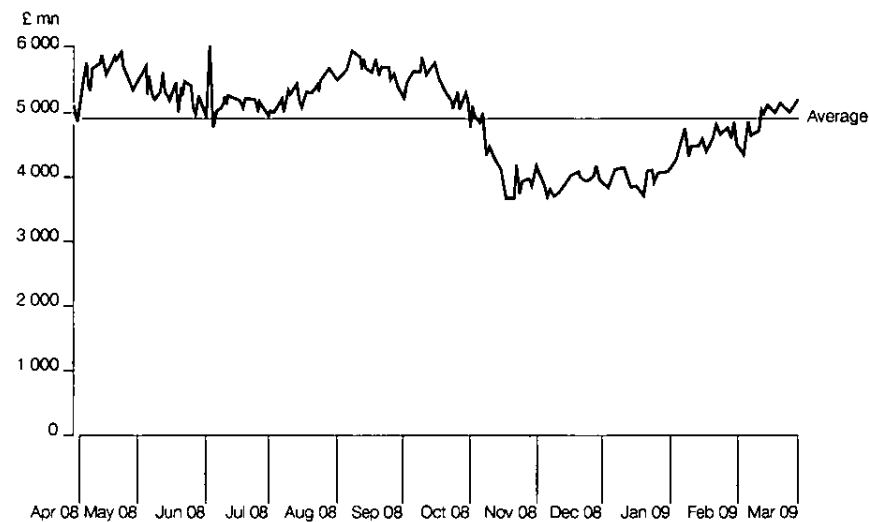
We maintain liquidity contingency plans and the identification of alternative sources of funds in the market. This is to ensure that cash flow estimates and commitments can be met in the event of general market disruption or adverse business and economic scenarios, while minimising detrimental long-term implications for the business.

Our liquidity management processes encompass principles set out by the regulatory authorities in each jurisdiction, namely the FSA, the SARB and APRA.

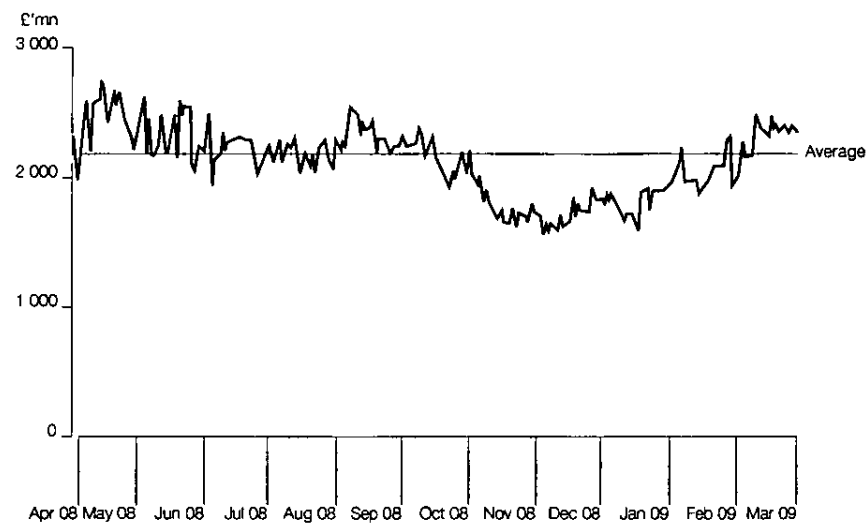


## Risk management

Total Investec group cash and near cash trend

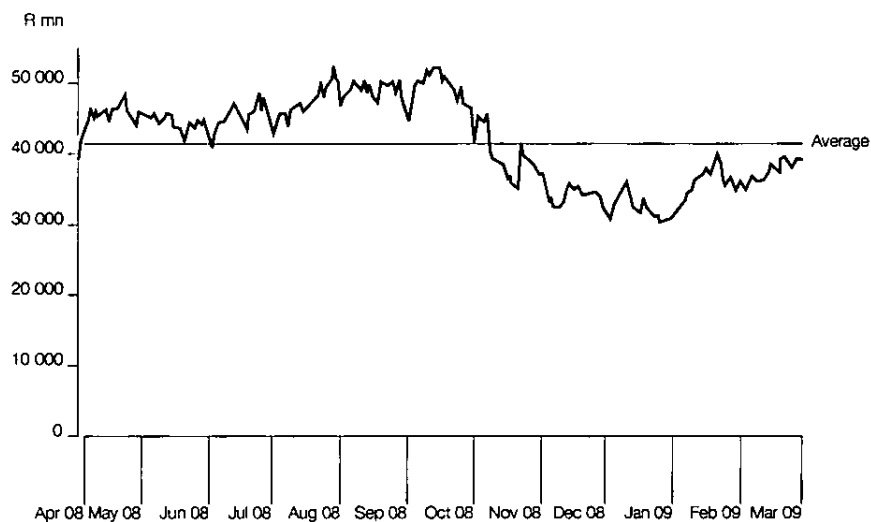


Investec plc cash and near cash trend



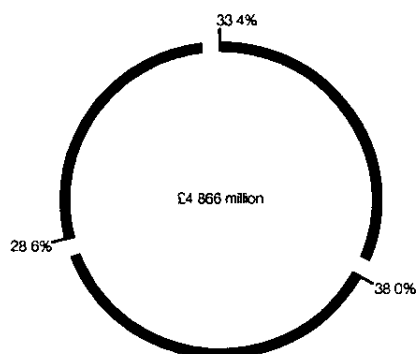
## Risk management

Investec Limited cash and near cash trend

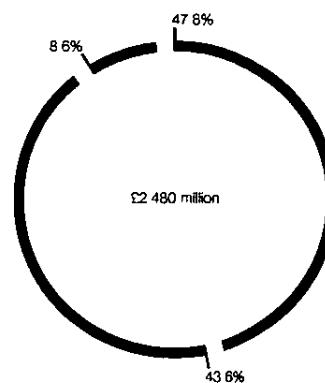


An analysis of cash and near-cash

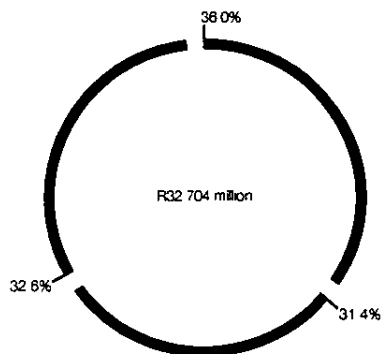
Total group



Investec plc



Investec Limited



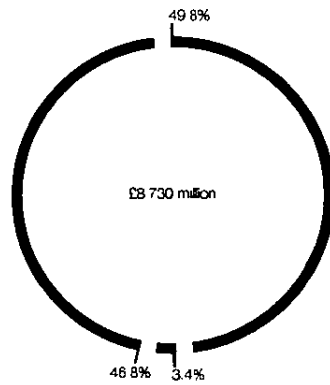
- Cash
- Near cash (Central Bank guaranteed liquidity)
- Near cash (other "monetisable" assets)



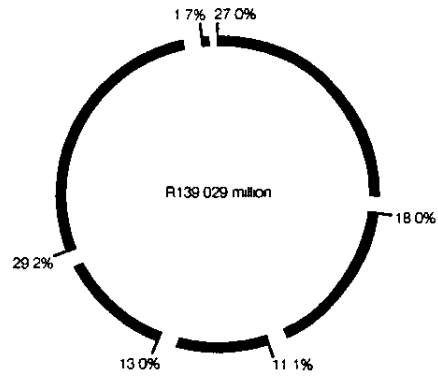
## Risk management

Bank and non-bank depositor concentration by type

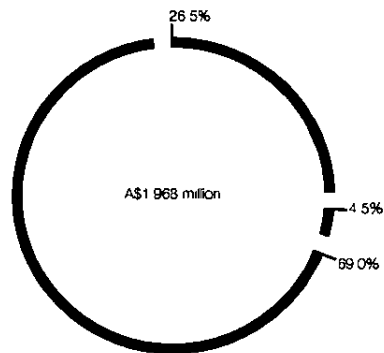
UK and Europe



South Africa



Australia



- Fund managers
- Financial institutions/banks
- Public sector
- Corporate
- Private Banking clients
- Other

# Risk management

## Liquidity mismatch

The tables that follow show our liquidity mismatch across our core geographies. The tables reflect that loans and advances to customers are largely financed by stable funding sources.

With respect to the contractual liquidity mismatch:

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

With respect to the behavioural liquidity mismatch:

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

## UK and Europe

### Contractual liquidity

| £'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 | 1 338          | 541            | -              | -              | -                  | 14             | 15             | 1 908           |
| Investment/trading assets         | 232            | 560            | 65             | 63             | 196                | 255            | 455            | 1 826           |
| Securitisable assets              | 15             | 4              | 4              | -              | 1                  | 5              | 4 199          | 4 228           |
| Advances                          | 68             | 716            | 419            | 448            | 902                | 2 004          | 3 520          | 8 077           |
| Other assets                      | 207            | 210            | 15             | 2              | 23                 | 76             | 440            | 973             |
| <b>Assets</b>                     | <b>1 860</b>   | <b>2 031</b>   | <b>503</b>     | <b>513</b>     | <b>1 122</b>       | <b>2 354</b>   | <b>8 629</b>   | <b>17 012</b>   |
| Deposits - banks                  | (183)          | (732)          | (218)          | (362)          | (631)              | (1 962)        | (258)          | (4 346)         |
| Deposits - non-banks              | (554)          | (898)          | (1 692)        | (867)          | (204)              | (111)          | (58)           | (4 384)         |
| Negotiable paper                  | -              | (5)            | (207)          | (2)            | -                  | (100)          | -              | (314)           |
| Securitisable liabilities         | -              | -              | -              | -              | -                  | -              | (3 947)        | (3 947)         |
| Investment/trading liabilities    | (272)          | (985)          | (212)          | (15)           | (18)               | (43)           | (57)           | (1 602)         |
| Subordinated liabilities          | 10             | -              | -              | (6)            | (10)               | (208)          | (515)          | (729)           |
| Other liabilities                 | (137)          | (166)          | (12)           | (27)           | (52)               | (119)          | (23)           | (536)           |
| <b>Liabilities</b>                | <b>(1 136)</b> | <b>(2 786)</b> | <b>(2 341)</b> | <b>(1 279)</b> | <b>(915)</b>       | <b>(2 543)</b> | <b>(4 858)</b> | <b>(15 858)</b> |
| Shareholders' funds               | -              | -              | -              | -              | -                  | -              | (1 154)        | (1 154)         |
| Contractual liquidity gap         | 724            | (755)          | (1 838)        | (766)          | 207                | (189)          | 2 617          | -               |
| Cumulative liquidity gap          | 724            | (31)           | (1 869)        | (2 635)        | (2 428)            | (2 617)        | -              | -               |

### Behavioural liquidity (as discussed on page 139)

| £'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 | 988    | (755)         | (1 230)       | (766)         | 207                | (783)        | 2 339     | -     |
| Cumulative                | 988    | 233           | (997)         | (1 763)       | (1 556)            | (2 339)      | -         | -     |



# Risk management

## South Africa

### Contractual liquidity

| 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*    | 13 802          | 898             | 19              | 29              | 47                 | 548             | -              | 15 343           |
| Cash and short-term funds - non-banks | 5 378           | -               | -               | -               | -                  | -               | -              | 5 378            |
| Investment/trading assets**           | 14 016          | 13 435          | 1 294           | 1 541           | 1 513              | 10 219          | 6 712          | 48 730           |
| Securitisised assets                  | 1 067           | 68              | 56              | 424             | 883                | 4 691           | 5 824          | 13 013           |
| Advances                              | 4 911           | 5 236           | 10 643          | 9 840           | 12 756             | 40 374          | 28 401         | 112 161          |
| Other assets                          | 861             | 1 571           | 79              | 260             | 42                 | 1 674           | 1 500          | 5 987            |
| <b>Assets</b>                         | <b>40 035</b>   | <b>21 208</b>   | <b>12 091</b>   | <b>12 094</b>   | <b>15 241</b>      | <b>57 506</b>   | <b>42 437</b>  | <b>200 612</b>   |
| Deposits - banks                      | (2 317)         | (1 099)         | (126)           | (210)           | (90)               | (8 317)         | -              | (12 159)         |
| Deposits - non-banks                  | (36 921)        | (35 572)        | (25 497)        | (8 398)         | (13 153)           | (3 695)         | (3 634)        | (126 870)        |
| Negotiable paper                      | -               | (150)           | (484)           | (300)           | (20)               | -               | -              | (954)            |
| Securitisised liabilities             | (147)           | (1 555)         | (1 611)         | (2 100)         | -                  | (4 483)         | (1 204)        | (11 100)         |
| Investment/trading liabilities        | (937)           | (303)           | (1 719)         | (1 316)         | (1 547)            | (8 996)         | (49)           | (14 867)         |
| Subordinated liabilities              | -               | -               | -               | -               | -                  | (4 691)         | (400)          | (5 091)          |
| Other liabilities                     | (2 626)         | (455)           | (1 191)         | (1 313)         | (1 322)            | (2 074)         | (4 421)        | (13 402)         |
| <b>Liabilities</b>                    | <b>(42 948)</b> | <b>(39 134)</b> | <b>(30 628)</b> | <b>(13 637)</b> | <b>(16 132)</b>    | <b>(32 256)</b> | <b>(9 708)</b> | <b>(184 443)</b> |
| Shareholders' funds                   | -               | -               | -               | -               | -                  | -               | (16 169)       | (16 169)         |
| Contractual liquidity gap             | (2 913)         | (17 926)        | (18 537)        | (1 543)         | (891)              | 25 250          | 16 560         | -                |
| Cumulative liquidity gap              | (2 913)         | (20 839)        | (39 376)        | (40 919)        | (41 810)           | (16 560)        | -              | -                |

Note: contractual liquidity adjustments (as discussed on page 139)

| 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 | 10 668 | 898           | 19            | 29            | 47                 | 548          | 3 314    | 15 343 |
| **Investment/trading assets        | 7 381  | 3 900         | 6 907         | 6 464         | 5 800              | 11 217       | 7 061    | 48 730 |

Behavioural liquidity (as discussed on page 139)

| 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 | 16 057 | 1 310         | (1 798)       | (5 212)       | (37 293)           | 7 040        | 19 896   | -     |
| Cumulative                | 16 057 | 17 367        | 15 569        | 10 357        | (26 936)           | (19 896)     | -        | -     |

## Risk management

### Australia

#### Contractual liquidity

| AUD'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 | 272          | 2             | -             | -             | -                  | -              | -            | 274            |
| Investment/trading assets*        | 1 184        | 69            | 32            | 56            | 42                 | 99             | 83           | 1 565          |
| Securitized assets                | 1            | 26            | 69            | 93            | 175                | 540            | 8            | 912            |
| Advances                          | -            | 118           | 225           | 280           | 557                | 682            | 135          | 1 997          |
| Other assets                      | -            | -             | -             | -             | -                  | -              | 196          | 196            |
| <b>Assets</b>                     | <b>1 457</b> | <b>215</b>    | <b>326</b>    | <b>429</b>    | <b>774</b>         | <b>1 321</b>   | <b>422</b>   | <b>4 944</b>   |
| Deposits - banks                  | (211)        | -             | -             | -             | -                  | -              | -            | (211)          |
| Deposits - non banks              | (523)        | (473)         | (398)         | (95)          | (137)              | (123)          | (8)          | (1 757)        |
| Negotiable paper                  | -            | (179)         | (62)          | (30)          | (75)               | (945)          | (11)         | (1 302)        |
| Securitized liabilities           | (1)          | (25)          | (69)          | (92)          | (491)              | (226)          | (2)          | (906)          |
| Investment/trading liabilities    | (12)         | (1)           | (2)           | (49)          | (9)                | (50)           | (27)         | (150)          |
| Subordinated liabilities          | -            | -             | -             | -             | (76)               | (25)           | -            | (101)          |
| Other liabilities                 | -            | -             | -             | -             | -                  | -              | (28)         | (28)           |
| <b>Liabilities</b>                | <b>(747)</b> | <b>(678)</b>  | <b>(531)</b>  | <b>(266)</b>  | <b>(788)</b>       | <b>(1 369)</b> | <b>(76)</b>  | <b>(4 455)</b> |
| Intercompany loans                | 23           | 102           | -             | 1             | 6                  | (3)            | 2            | 131            |
| Shareholders' funds               | -            | -             | -             | -             | -                  | -              | (620)        | (620)          |
| <b>Contractual liquidity gap</b>  | <b>733</b>   | <b>(361)</b>  | <b>(205)</b>  | <b>164</b>    | <b>(8)</b>         | <b>(51)</b>    | <b>(272)</b> | <b>-</b>       |
| <b>Cumulative liquidity gap</b>   | <b>733</b>   | <b>372</b>    | <b>167</b>    | <b>331</b>    | <b>323</b>         | <b>272</b>     | <b>-</b>     | <b>-</b>       |

Note contractual liquidity adjustments (as discussed on page 139)

| AUD'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 |
|----------------------------|--------|---------------|---------------|---------------|--------------------|--------------|-----------|-------|
| *Investment/trading assets | 80     | 403           | 259           | 59            | 110                | 591          | 63        | 1 565 |

Behavioural liquidity (as discussed on page 139)

| AUD'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    |
|----------------------------------|--------------|---------------|---------------|---------------|--------------------|--------------|--------------|----------|
| <b>Behavioural liquidity gap</b> | <b>1 200</b> | <b>(423)</b>  | <b>(423)</b>  | <b>60</b>     | <b>(91)</b>        | <b>(51)</b>  | <b>(272)</b> | <b>-</b> |
| <b>Cumulative</b>                | <b>1 200</b> | <b>777</b>    | <b>354</b>    | <b>414</b>    | <b>323</b>         | <b>272</b>   | <b>-</b>     | <b>-</b> |



# Risk management

## Financial markets year in review

During the financial year ended 31 March 2009 the impacts of the global financial crisis intensified with funding conditions deteriorating in response to the collapse of Lehman Brothers in late 2008 and the uncertainty it created in the minds of individuals with respect to the safety of banks in general

A noteworthy characteristic of the market turmoil is the adverse effects it has had on the liquidity and funding risk profile of the banking system in general. At a universal level, these may be characterised as follows:

- Banks became unwilling to lend to each other beyond the very short-term resulting in pressure being placed on funding costs
- The ability of many market participants to issue unsecured debt has been constrained
- Asset classes considered to be liquid turned out to be illiquid with no readily available repo market

In response to the global financial crisis, many governments and central banks have taken unprecedented action to alleviate the effects of market turmoil making available guaranteed funding facilities and introducing wide-ranging fiscal stimuli

The last financial year was characterised by volatile global interest rates as policy makers continued to respond to the global financial crisis and resultant market dislocations in different geographies

- **Pounds Sterling interest rates** – The financial year began with a further modest easing in the Bank Rate, April's meeting reducing the rate by 0.25% to 5.0% in reaction to ongoing signs that the economy was continuing to slow and credit conditions were not improving. This followed a precipitous drop in equities at the start of 2008 and a savage interest rate response from the Federal Reserve. However, inflation concerns continued to balance the Monetary Policy Committee's (MPC) concerns for the economic outlook, with some members considering tightening policy over the summer as oil prices surged pushing inflation to peak at 5.2% in September 2008. The collapse of Lehman Brothers in September 2008 epitomised growing financial strains that split into the real economy in the final quarter of 2008, realising fears that many had held since the onset of the financial crisis. The MPC responded to growing signs of economic collapse, even after emergency measures were put in place to avert a financial meltdown that Bank of England (BoE) Governor admitted had been close in October 2008. The MPC reduced rates by a record 3% in the fourth quarter of 2008. Reductions continued in the first quarter of 2009 on a monthly basis (but smaller) until the Bank Rate reached 0.50% in March 2009. This is the lowest rates have been since the BoE's inception in 1694. In March, with rates effectively at zero, the BoE announced it would follow a path of quantitative easing by purchasing assets to expand the monetary base and hence, it is hoped, broad money. The BoE announced a plan to buy £75 billion of a variety of assets, but largely gilts.
- **Euro interest rates** – Despite signs of growing international economic turmoil and a significant weakening in survey evidence the European Central Bank (ECB) left its key refinancing rate on hold at 4.0% in the early stages of the financial year, only to raise the rate to 4.25% in July 2008. This reflected the continued surge in oil prices and its impact on Eurozone inflation, which rose to 4.0% in June. A significant rise in inflation expectations at this time probably proved the final straw. Nevertheless, the breaking of the financial tidal wave on the real economy in the wake of the Lehman Brothers collapse in September 2008 (particularly its impact on international trade, which saw German exports fall in November 2008 alone by 11.0%) prompted the ECB to reverse its policy sharply across the fourth quarter of 2008. The ECB cut the refinancing rate by 1.75% in the fourth quarter of 2008 to 2.5%, moving in each month. The final quarter of this financial year has additionally seen 0.5% rate cuts in January and March 2009, taking the refinancing rate to 1.5%, with a further cut expected at the start of the next financial year. Moreover, the ECB initiated a more technical change in October 2008, allowing unlimited liquidity in its money market operations. This depressed overnight interest rates relative to the refinancing rate, driving them closer to the ECB deposit rate in what looked like a premeditated side effect. Following the subsequent lowering of the deposit rate relative to the refinancing rate in January 2009, overnight rates have traded between 0.5% to 0.75% lower than the refinancing rate.
- **Rand interest rates** – The South African Reserve Bank (SARB) increased interest rates by 0.5% in June 2008 (following on April 2008's 0.5% increase) bringing South Africa's interest rate cycle to its most recent peak, thereafter the cycle turned down, with the first cut of 0.5% occurring in December 2008. February 2009 saw monetary easing of 1.0%, with the Reserve Bank Governor announcing that if he had had his way a full 2.0% cut would have occurred instead at that meeting. Citing that the rapidly deteriorating state of the economy requires constant monitoring and urgent action by policy makers, the SARB then promptly announced it would meet to decide on the interest rate stance every month this year instead, with the exception of July which enabled it to ease monetary policy by a further 1% in March 2009.
- **Australian interest rates** – The Reserve Bank of Australia (RBA) had increased its Cash Rate Target to 7.25% at the close of the previous financial year, although comments from the central bank at the time suggested this could well prove the peak. For the first half of this financial year, the RBA was torn between growing signs of deteriorating domestic economic conditions, a worsening international outlook and a surge in oil and commodity prices driving inflation higher, which peaked at 5.0% in the third quarter of 2008. The RBA cut rates by 0.25% 'pre-emptively' in early September 2008 to 7.0%, but September's financial meltdown caused a collapse in international activity and the domestic economy slowed alarmingly. The RBA began cutting its policy rate aggressively, down to 4.25% by the end of 2008. Since then it has cut rates by a further 1.0% in February to 3.25% and we suspect this is close to the bottom of its cycle.
- **USD interest rates** – the Federal Reserve (FED) ended the previous financial year with a savage round of rate cuts, the Fed Funds Target started this financial year at just 2.25%. Although the Fed reduced the target further to 2.0% in April 2008, rates held at this level until September 2008 and the Lehman Brothers collapse. This prompted a further round of significant monetary policy easing. The Fed slashed the Fed Funds target to a range of 0-0.25% in December 2008, exhausting conventional policy moves. However, from September 2008 it engaged in a series of operations that significantly expanded its balance sheet, with a view to providing support for key asset markets, initially commercial paper markets which rose in the immediate wake of Lehman Brothers and money market funds. Fed Chairman Bernanke indicated that this policy differed from the more traditional quantitative easing as its focus was not pre-defined targets for central bank liabilities but on the composition of loans and securities on the asset side of the Fed's balance sheet. The Fed Chairman referred to this as "credit easing". This process continued to evolve with the Fed committing to buying mortgage securities and agency debt, although the differences between Fed's policy and quantitative easing became less distinct towards the end of the financial year when the central bank announced that it would commence purchasing US Treasuries as well.

## Risk management

### Balance sheet risk year in review

Calendar year 2008 has to be one of the most torrid years for financial markets globally, causing severe dislocation in money markets and changing the funding landscape for future years to come. Longer term liquidity all but dried up even for AAA names.

In the UK, the government was forced to take action to inject liquidity back into financial markets and restore confidence through various schemes including:

- A £50 billion Credit Guarantee Scheme in October 2008. This is the scheme to which Investec Bank plc is eligible to participate.
- A government auction buy-back of gilts of £75 billion which is ongoing to provide liquidity to the markets.
- Nationalisation of Northern Rock and Bradford & Bingley and taking direct stakes in Royal Bank of Scotland and Lloyds TSB.
- Injecting up to £500 billion of tax payer's money by way of an Asset Protection Scheme.
- The Bank of England asset purchase facility to assist in compressing spreads and improving liquidity in corporate bonds.

Investec Bank plc has benefited in these troubled times as retail investors looked to diversify their savings across different institutions. Investec Bank plc saw good inflows into its retail savings products and Structured Equity Derivatives offerings over the latter half of the year.

Despite the relatively sound economic position that Australia held at the commencement of the global financial crisis and the rapid action by the RBA and the Federal Government, the Australian economy has still been negatively impacted by the severity of deterioration in the global economic conditions. In October 2008 the Australian government announced a Government Guarantee Scheme (the "Scheme") for deposit and wholesale funding. The Scheme guarantees bank deposits up to AUD1 million for a period up to 12 October 2011, while large deposits and non-deposit debt may be guaranteed for period of up to 60 months through the payment of a fee. Subsequent to the announcement of the Scheme, Investec Bank (Australia) Ltd's (IBAL) experienced major inflows of private client funds resulting in record levels being achieved. IBAL's activity in increasing funding through both the Private Bank and wholesale funding bases has been utilised to further increase an already strong liquidity position and to lengthen the average maturity profile of liabilities well in excess of regulatory and internal policy requirements.

The South African interest rate environment was exceptionally volatile and eventful during the financial year ended 31 March 2009. The second quarter however, brought a major change in interest rate expectations as the deflationary risks of the burgeoning crisis in global financial markets became apparent. This made for exceptionally good trading conditions for the Capital Markets trading teams. However, liquidity conditions worsened over the financial year, particularly after the collapse of Lehman Brothers. Fortunately South African banks were largely shielded from the worst of the fall-out. However, the cost of term deposits continued to rise reflecting higher credit risk spreads, fortunately partly offset by significant increases in rates on new loans written by the bank. We concluded a USD450 million two year syndicated loan rollover in October 2008 which buttressed our liquidity. However, a combination of asset growth, a slowdown in securitisation and slower liability growth resulted in a decrease in the amounts of surplus liquidity available on the South African balance sheet.

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

- Investec Bank plc
  - €280 million Club Deal completed in April 2008 for one year at Libor+45bps
  - A total of £570 million bilateral facilities were arranged through long-standing historical relationships maintained with other banks throughout the course of the year.
- Investec Bank (Australia) Limited (IBAL)
  - During July 2008 IBAL undertook an inaugural dual currency syndicated debt facility raising USD80 million and €43 million with a one year term and with 13 European and North American financial institutions participating.
  - During December 2008 IBAL modified its Debt Issuance Programme to allow it to undertake debt issuance in compliance with the Government Guarantee Scheme, and in February 2009 IBAL undertook two domestic term debt issues in Government Guaranteed format for a total raising of AUD600 million. The first issue was for an amount of AUD400 million and a term of 3 years, the second issue, undertaken a few weeks subsequent to the first, was for an amount of AUD200 million in a fixed rate structure, with a term of 5 years.



## Risk management

### Operational risk management

#### Operational risk description

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

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

We have adopted the Standardised Approach to calculate operational risk regulatory capital

#### Operational risk governance structure

The governance structure for operational risk management is outlined below

##### Board

The board of directors through the BRCC and Audit Committee approve, monitor and review the operational risk framework, policies and practices of the group. Reports are presented to these committees on a regular basis

##### Group Operational Risk Management

An independent specialist Group Operational Risk Management function is responsible for establishing the framework for operational risk management, and promotes consistent and sound operational risk management practices and processes across the group. This is in line with regulatory and stakeholder expectations in managing our operational risk

Group Operational Risk Management has a specific responsibility for the monitoring and oversight of Business Continuity Risk Management and Financial Crime Risk Management, and monitors Change Control Management, Information Security Risk and Technology Risk, which is the responsibility of the subject matter experts

The Operational Risk Committee and/or working groups promote and monitor the effectiveness of the operational risk management framework and develop and implement practices supporting operational risk policies and practices

Group Operational Risk Management is responsible for facilitating the interaction and relationship with the various supervisors of the group

##### Business units

Business unit senior management is responsible for the management of operational risk within their business units. This is achieved by ensuring that the operational risk management framework, policies and practices, as established by Group Operational Risk Management, are embedded within the business unit

A network of Embedded Risk Managers (ERMs) within the business units assist management with the management and monitoring of operational risk. Material operational risks are addressed at the individual business unit risk committees and, if necessary, escalated to Group Operational Risk Management and the BRCC

##### Assurance

All processes are subject to reviews by Internal Audit as well as onsite reviews by the relevant supervisors. In certain instances, internal specialist subject matter experts are called on to validate the operational risk practices

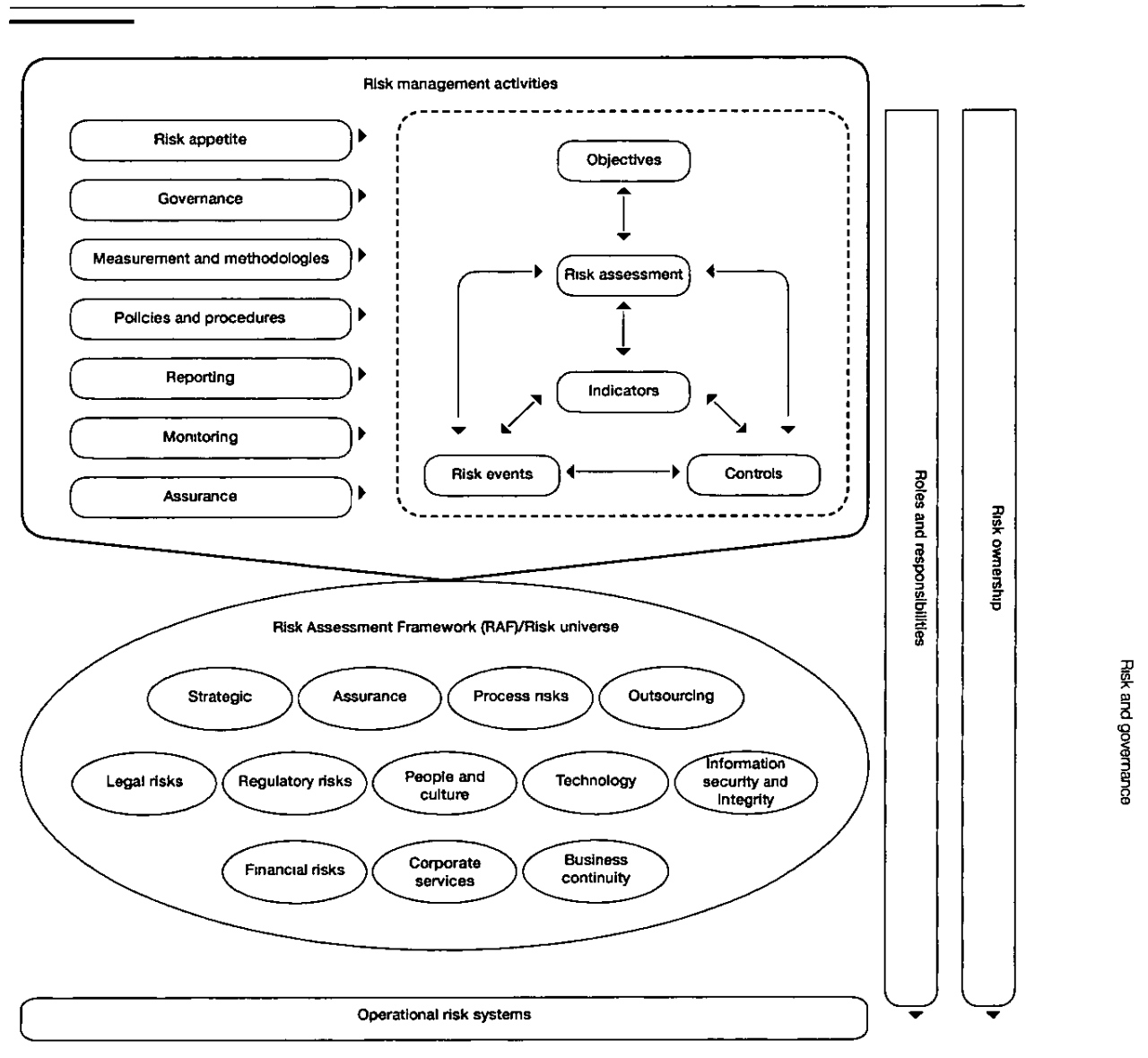
#### Operational risk management framework

The operational risk management framework adopted by the group sets out a structured and consistent approach for implementing a systematic, effective and efficient process to manage operational risk across the group

A group wide operational risk system is used for the recording, identification, assessment, measurement and monitoring of operational risks facing the individual business units. This system allows for the recording and linking of risk assessments, risk events and risk indicators where appropriate, enabling a comprehensive view of the operational risk profile. Detailed analysis and reporting across the operational risk profile is also possible

# Risk management

The following diagram provides an overview of the Operational Risk Management framework



# Risk management

## Operational risk identification and risk assessments

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

The RAF is organised into risk areas and relevant associated detailed risks. Risks are assessed based on likelihood of occurrence and consequence, arriving at a controlled operational risk exposure.

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

The assessment of risks and controls is conducted at business unit level and is subject to treatment and escalation in terms of the Operational Risk Appetite Policy, which sets out the operational risk exposure that we are willing to accept or retain.

Risk assessments are reviewed regularly based on the internal and external events, changes in the business environment, and new products introduced.

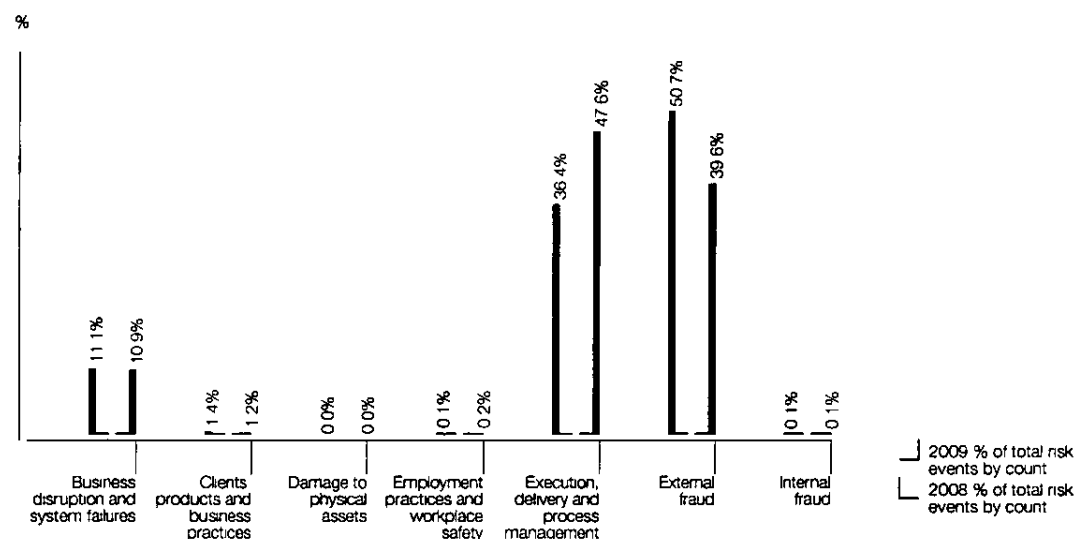
Risks are assessed and considered before implementation of new products in line with the relevant policies and procedures applicable to the respective operating jurisdictions.

## Operational risk events

As shown in the graphs below, the majority of our internal risk events, by value, fall into the execution, delivery and process management event type. The majority of these events are infrequent and unexpected but high value events. The majority of events, by count, fall into the external fraud event type. These relate to credit card fraud.

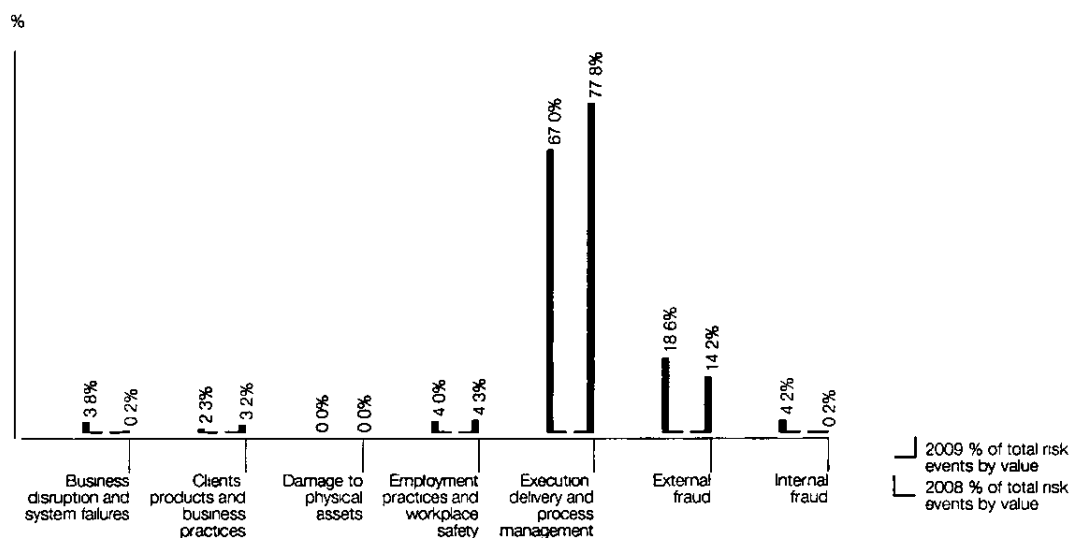
Infrequent, unexpected, high value risk events for the financial year 2009 represent 96% of the total value of the risk events and less than one percent of the total number of risk events.

Operational risk events by risk category - % of total risk events by count



## Risk management

Operational risk events by category - % of total risk events by value



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

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

### Operational risk indicators

Key operational risk indicators are monitored. The process remains an ongoing area of development.

### Operational risk measurement

Material operational risks relevant to the jurisdictions we operate in have been identified by Group Operational Risk Management in conjunction with the business units.

In the year under review each material operational risk was subjected to a scenario evaluation. Various plausible, extreme, infrequent scenarios were developed and documented for each material operational risk. Scenario information was sourced from an evaluation of the external business environment, internal business considerations, internal and external event data, and controlled operational risk exposures.

The scenario evaluations are combined through Monte Carlo simulation to determine a business unit and group proposed operational risk measure which is considered as an input into the internal operational risk capital. This is subject to review by the Capital Committee.

### Reporting

Group Operational Risk reports to the Board, BRCC and Audit Committee on a regular basis. These reports are based on monitoring performed by Group Operational Risk Management and input received from the business units. This continues to be an area of focus to improve the relevance and reliability of reporting.



## Risk management

### Other key operational risks

#### Business continuity risk

The ability of the group to respond to and maintain an appropriate level of operating capability in the event of a disruption is a significant area of focus

Senior management is responsible for maintaining a crisis management as well as a business continuity capability for each of the group's geographical locations. A network of business continuity coordinators has responsibility for embedding the business continuity capability. This capability is subject to independent monitoring, review and assessment by both Group Operational Risk Management and Internal Audit.

Business continuity risk awareness and practices have continued to mature throughout the group. Continuous improvement of the operating resilience allowed the group to respond effectively to various minor incidents without significant disruption to the business. Regular and robust simulations are conducted throughout the group to assess the readiness to respond to disruptions and identify areas that require remediation.

#### Financial crime

Financial crime is considered a key operational risk. The focus is on risk identification, loss investigation, recovery and prosecution, and recommending enhanced practices to mitigate this risk.

Incidents of fraud are investigated, recovery initiated and legal action implemented. It is the group's policy to take conclusive action on all financial crime that is identified as being perpetrated against us. Case information is collected and compiled by the specialists in the correct manner, to facilitate the legal process and obtain the necessary convictions.

Financial crime remains an area of concern. During the year, various internal and external incidents were identified, investigated and reported, in order to minimise losses and recover assets and, where appropriate, to report suspicious transactions to the relevant authorities. Initiatives to improve awareness and internal processes were undertaken.

### Developments

In the year under review the group was subject to regulatory onsite reviews by the SARB, the FSA and the Bank of Mauritius.

We participated in the international Loss Data Collection exercise. This assisted in confirming and refining loss data collection standards and practices.

As a result of the current financial crisis and the lessons learnt from this, we strive to continuously strengthen our operational risk environment by regularly evaluating the risk assessments and control framework and updating them in line with developments in the market and emerging exposures.

#### Areas of focus

- Business continuity capability – rigorous and ongoing simulations and readiness evaluation
- Awareness and understanding of financial crime. Developments in this area are monitored through participation in the industry fora
- Enhancements to the IT Risk Assessment Framework which incorporates the Information Security Framework
- The refinement of the operational risk measurement methodologies through scenario analysis
- Key operational risk indicators that are relevant have been considered and remain an ongoing development area
- Improvement of the quality of operational risk management data
- Introduction of a new risk and causal analysis approach to enable us to further analyse internal and external risk events
- Improvements to the reporting framework. Continued enhancements based on industry practice

Our processes provide for continuous development and monitoring to ensure that the framework and practices remain relevant and are appropriate and adequate and in line with leading industry practices including regulatory requirements. Embedding operational risk management awareness and practices in our business remains an ongoing activity.

### Insurance

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

## Risk management

### Reputational risk

Reputational risk is caused by damage to our reputation, name or brand. Such damage may result from a breakdown of trust, confidence or business relationships. Reputational risk may also arise as a result of other risks manifesting and not being mitigated.

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

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

Corporate governance structures and processes in operation throughout the group assist in mitigating this risk.

### Legal risk management

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

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

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

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

The legal risk policy is implemented through:

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

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

A Legal Risk Forum is constituted in each significant legal entity within the group. Each forum meets at least half-yearly and more frequently where business needs dictate, and is chaired by the Global Head of Legal Risk or an appointed deputy. Minutes of the meetings are circulated to the Chief Executive Officer of each legal entity.

### Pension risk

Pension risk arises from defined benefit schemes, where Investec plc is expected to provide funds to reduce any deficit in the schemes. There are two defined benefit schemes within Investec plc and both are closed to new business. Pension risk could arise if the net present value of future cash outflows is greater than the current value of the asset pool set aside to cover those payments.

Primary causes of any deficit include:

- A mismatch in the duration of the assets relative to the liabilities
- Market-driven asset price volatility, and
- Increased life expectancy of individuals leading to increased liabilities

Investec plc monitors the position of the funds closely, regularly assessing potential adverse movements in the schemes. Further information is provided on pages 294 to 296.



## Risk management

### Capital management and allocation

Although Investec plc (and its subsidiaries) and Investec Limited (and its subsidiaries) are managed independently, the approach to capital management of each group is consistently applied. The DLC structure requires the two groups to be considered independent from a capital perspective and hence capital is managed on this basis. This approach is exercised through the BRCC (via the Investec DLC Capital Committee) which is a board sub-committee with ultimate responsibility for the capital sufficiency of both Investec plc and Investec Limited.

The legal and regulatory treatment of capital is independent of existing shareholder arrangements that are in place to ensure that shareholders have common economic and voting interests as if Investec plc and Investec Limited were a single unified enterprise. Investec plc is regulated by the FSA in the UK and Investec Limited is regulated by the SARB. In addition, a number of subsidiaries are subject to the capital regulations of the regulators for the jurisdictions in which they operate.

### Philosophy and approach

As a consequence of the global financial crisis there is a strong expectation from bank stakeholders that banking groups need to and will improve their capital adequacy ratios. Investec has always held capital well in excess of regulatory requirements and the group intends to perpetuate this philosophy and ensure that it remains well capitalised in a vastly changed banking world. Accordingly, the group considers it appropriate to adjust its capital adequacy targets and build its capital base, targeting a minimum tier one capital ratio of 11% and a total capital adequacy ratio of 14% to 17% on a consolidated basis for Investec plc and Investec Limited, respectively.

The determination of target capital is driven by our strategy and risk appetite, taking into account regulatory and market factors applicable to the group. At the most fundamental level, we seek to balance our capital consumption between ensuring that we are prudently capitalised to meet our risks, and optimisation of shareholder returns.

Our internal (economic) capital framework is designed to manage and achieve this balance. The internal capital framework is tied to group-wide disciplines surrounding:

- Capital allocation and structuring
- Investment decision making and pricing
- Risk management, especially as it relates to the selection of deals, markets, and investment opportunities
- Performance measurement
- Risk-based incentive compensation

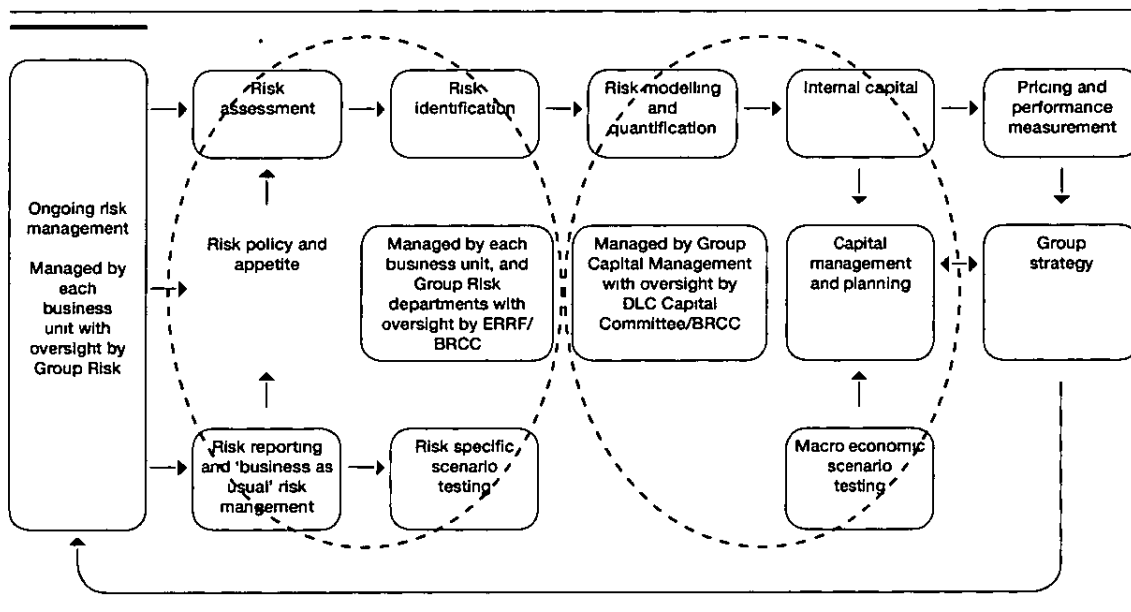
Consequently the objectives of the internal capital framework are to:

- Maintain sufficient capital to satisfy the board's risk appetite across all risks faced by the group
- Support a target level of financial strength aligned with a long-term rating of at least A
- Provide protection to depositors against losses arising from risks inherent in the business
- Provide sufficient capital surplus to ensure that the group is able to retain its going concern basis under relatively severe operating conditions and support growth in assets
- Maintain sufficient capital to meet regulatory requirements across each regulated entity
- Support our growth strategy
- Allow the exploration of acquisition opportunities where such opportunities are consistent with our strategy and risk appetite
- Facilitate pricing that is commensurate with the risk being taken
- Allocate capital according to the greatest expected marginal risk based return, and track performance on this basis
- Reward performance taking into account the relative levels of risk adopted

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

# Risk management

In order to achieve these objectives, we adhere to the following approach to the integration of risk and capital management



## Risk assessment and identification

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

## Risk reporting

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

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

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

## Role of regulatory capital in capital management

On 1 January 2008, we began operating under the Basel II regulatory regime across all regulated entities. We have adopted the Standardised Approach under "Pillar 1" to determining our minimum capital requirements.

The regulatory rules within Basel II are designed to provide greater differentiation of risk between asset classes. In addition, the rules seek to account for operational risk in addition to the traditional capital requirements for credit and market risks. We do not, however, use regulatory capital as the driver exclusive of capital allocation.

In addition, while the measurement of capital from a regulatory perspective has changed following the introduction of Basel II, the risk appetite of the board and senior management remains unchanged. Indeed, given the rapid deterioration in capital availability across the global banking industry and the increasing risk aversion of the market, senior management have determined that capital should remain at conservative levels, in line with capital targets regardless of any potential benefit arising from a change in regulatory capital rules. This requirement has been adopted within our approach to "Pillar 2", of which the internal capital framework constitutes a central role.

## Risk management

Therefore, while capital requirements under "Pillar 1" form the minimum capital for Investec plc, Investec Limited and their various regulated subsidiaries, our capital management framework places emphasis on the determination of internal capital requirements. However, we do manage our capital resources to ensure that all group entities exceed local capital adequacy rules in the jurisdictions in which they operate. Local management are responsible for compliance with entities' minimum regulatory requirements, although the allocation of capital supply is controlled by the DLC Capital Committee.

### Internal capital

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

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

- Credit and counterparty risk, including
  - Underlying counterparty risk
  - Concentration risk
  - Securitisation risk
- Traded market risk,
- Equity and property risk in the banking book
- Balance sheet risk, including
  - Liquidity
  - Non-trading interest rate risk
- Strategic and reputational risks,
- Business risk,
- Operational risk, and
- Pension risk (UK only)

Operational risk is considered as an umbrella term and covers a range of independent risks including, but not limited to, risks relating to fraud, litigation, business continuity, outsourcing and out of policy trading. The specific risks covered are assessed dynamically through constant assessment of the underlying business environment.

### Capital management, planning and scenario testing

A group capital plan is prepared at least three times annually considering the impact of business strategy and market conditions on our capital sufficiency. This plan is designed to determine capital sufficiency under a range of economic and internal conditions over the medium term (3 years), with the impact on both earnings and asset growth considered. The plan provides the board (via the BRCC) with a basis for which to align strategy given constraints on capital where these exist. This plan is revised based on actual results and presented to the BRCC at least three times annually.

Stressing the capital plans is an important tool by which the board can gain insight as to the potential sources of vulnerability of the capital sufficiency of the group through market, economic or internal events. As such, we stress the capital plans based on conditions most likely to place us under duress. The conditions themselves are agreed by the DLC Capital Committee. Such plans are used by management to formulate responses to potential adverse business conditions using all available management levers.

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

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

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

## Risk management

### Pricing and performance measurement

Internal capital is fully integrated into many key operational processes, including

- Determining transactional risk based returns on capital
- Establishing break even pricing
- Optimising capital allocation
- Comparing risk based performance across business areas
- Forming a basis for the determination of Economic Value Added at a transactional level, and hence the basis for discretionary variable remuneration

The use of internal capital means that all transactions are considered in the context of the impact on the allocation of our capital resources, and hence on the basis of their contribution to risk adjusted return on capital. This is to ensure that expected returns are sufficient after taking recognition of the inherent risk generated for a given transaction. This approach allows us to embed risk and capital discipline at the level of deal initiation. This compels a wider population (beyond the formal governance committees) to understand the capital implications of business activity and ensure that risk is priced appropriately.

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

For an assessment of return on equity and our return on economic capital utilised refer to pages 26 to 28.

### Responsibility for the risk and capital management process

The Investec plc and Investec Limited boards of directors are ultimately responsible for the respective silo's capital management. The group's senior management take active roles in allocating capital at a transactional level. At the highest level, the boards have delegated direct responsibility for capital management to the BRCC and in turn the DLC Capital Committee. These forums have been in place for several years and their roles and responsibilities are discussed on pages 179 to 181.

In order to feed into this forum, Investec plc convenes a separate capital committee on a weekly basis to monitor the capital positions of its various subsidiaries, in particular the businesses in the UK and Australia. A formally constituted capital management committee also exists in Australia. The Southern African operations meet monthly through the Regulatory Forum, which analyses regulatory information, including capital use in Investec Bank Limited and Investec Bank (Mauntius) Limited. This structure ensures that capital is actively managed from the lowest reporting level and cascades up to the ultimate responsible body - the BRCC.

The following areas within the structure of the business have specific operational capital management responsibilities:

- Business units, in particular those who conduct their business out of a regulated entity and use large amounts of capital (Private Bank and Capital Markets)
  - The transactional consultants within the business units consider the capital requirements and the projected return on this capital as part of the deal approval process. Pricing explicitly takes into account the capital usage.
  - Each business unit is responsible for translating their detailed individual strategies into a 'bottom-up' capital usage projection for incorporation into the group capital plan. These plans assist senior management with prioritising the use of our available capital.
- Risk Management
  - The credit approval process for each (relevant) transaction is approved only after review and approval by our central credit risk management team. Capital usage forms an explicit part of the approval process.
  - For exposures which generate market risk, the market risk management team quantify and monitor market risk capital generated by trading activities. Traded market risk is closely monitored by our various risk management fora.
  - As part of operational risk management, a process managed by centralised operational risk management and embedded risk managers within each business unit identify, assess and quantify key operational risks arising from Investec's operations. Quantification is then used as the basis for the operational risk capital used held via the internal capital framework.
  - Underpinning all risk management functions is their IT support division, which ensures that all applications used to calculate and report risk are functioning properly and reconcile to underlying source systems.
- Group Finance
  - Regulatory reporting is the responsibility of a dedicated team within Group Finance, who are responsible for ensuring regulatory capital requirements are continuously met.
  - Financial control, through the capital management function, includes responsibility for the development and implementation of the internal capital framework and to manage and report on regulatory capital requirements. The development of the internal capital framework includes the result of analysis performed by Risk Management.
  - Group Finance is also responsible for co-ordinating, with business units, the development of the group's capital plan.
  - As part of the responsibility for the internal capital framework, the allocation of capital is managed centrally by Group Finance.
  - As with Risk Management, the Group Finance IT division plays a critical role in ensuring the integrity of the ledger and all supporting applications which contribute to the regulatory and business intelligence reporting processes.



## Risk management

- Board and Group Executive
  - The BRCC has ultimate responsibility for the oversight of day to day risk management, capital management and ensuring that both risk and capital are managed commensurate with our strategy and risk appetite
  - The BRCC has delegated management of capital to the DLC Capital Committee and risk management to ERRF

We optimise the use of capital through a rigorous risk based approach to pricing, performance and remuneration. Capital is managed closely for return and risk from the inception of a transaction. This approach ensures that the linkage of risk to target capital sufficiency is entrenched in our transactional processes.

This results in a capital management process driven by capital adequacy goals which are closely monitored by strategic capital plans.

These strategic capital plans, as with all elements of internal capital, are subject to a robust approval process involving senior business unit managers, Group Executive and the board.

## Capital disclosures in terms of Basel II

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



## Risk management

### Accounting and regulatory treatment of group subsidiaries

Investec plc and Investec Limited are the two listed holding companies in terms of the DLC structure. Investec Bank plc (IBP) and Investec Bank Limited (IBL) are the main banking subsidiaries of Investec plc and Investec Limited, respectively. Investec Bank (Australia) Limited (IBAL) is a subsidiary of IBP.

#### Investec plc

| Identity of investment/interest held             | Regulator                                                                       | % interest held | Regulatory treatment Fully consolidated | Entities that are given a deduction treatment | Country of operation | Restrictions and major impediments on the transfer of funds and regulatory capital within the group |
|--------------------------------------------------|---------------------------------------------------------------------------------|-----------------|-----------------------------------------|-----------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------|
| Bank controlling company<br>Investec plc         | Subject to consolidated supervision                                             |                 |                                         |                                               | UK                   | None                                                                                                |
| Investec 1 Limited                               | Subject to consolidated supervision                                             | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| <b>Regulated subsidiaries</b>                    |                                                                                 |                 |                                         |                                               |                      |                                                                                                     |
| <b>Banking and securities trading</b>            |                                                                                 |                 |                                         |                                               |                      |                                                                                                     |
| Investec Bank (Australia) Limited                | Australian Prudential Regulation Authority                                      | 100%            | Yes                                     |                                               | Australia            | Subject to regulatory rules                                                                         |
| Investec Bank plc                                | FSA                                                                             | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| Investec Bank (Channel Islands) Limited          | Guernsey Financial Services Commission/<br>Jersey Financial Services Commission | 100%            | Yes                                     |                                               | Guernsey and Jersey  | Subject to regulatory rules                                                                         |
| Investec Bank (Switzerland) AG                   | Swiss Federal Banking Commission                                                | 100%            | Yes                                     |                                               | Switzerland          | Subject to regulatory rules                                                                         |
| Investec Ireland Limited                         | Insh Financial Services Regulatory Authority                                    | 100%            | Yes                                     |                                               | Ireland              | Subject to regulatory rules                                                                         |
| Investec Trust (Guernsey) Limited                | Guernsey Financial Services Commission                                          | 100%            | Yes                                     |                                               | Guernsey             | Subject to regulatory rules                                                                         |
| Investec Trust (Jersey) Limited                  | Jersey Financial Services Commission                                            | 100%            | Yes                                     |                                               | Jersey               | Subject to regulatory rules                                                                         |
| Investec Securities (US) LLC                     | Securities and Exchange Commission and Financial Industry Regulatory Authority  | 100%            | Yes                                     |                                               | USA                  | Subject to regulatory rules                                                                         |
| Kensington Mortgage Company Limited              | FSA                                                                             | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| Kensington Personal Loans Limited                | FSA                                                                             | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| NUA Homeloans Limited                            | Insh Financial Services Regulatory Authority                                    | 100%            | Yes                                     |                                               | Ireland              | Subject to regulatory rules                                                                         |
| NUA Mortgages Limited                            | Insh Financial Services Regulatory Authority                                    | 100%            | Yes                                     |                                               | Ireland              | Subject to regulatory rules                                                                         |
| Start Mortgages Limited                          | Insh Financial Services Regulatory Authority                                    | 65.1%           | Yes                                     |                                               | Ireland              | Subject to regulatory rules                                                                         |
| Rensburg Sheppards Investment Management Limited | FSA                                                                             | 47.3%           | Proportionately Consolidated            |                                               | UK                   | Subject to regulatory rules                                                                         |
| Rensburg Fund Management Limited                 | FSA                                                                             | 47.3%           | Proportionately Consolidated            |                                               | UK                   | Subject to regulatory rules                                                                         |
| Rensburg Sheppards Trustees Limited              | FSA                                                                             | 47.3%           | Proportionately Consolidated            |                                               | UK                   | Subject to regulatory rules                                                                         |



## Risk management

### Investec plc (continued)

| Identity of investment/interest held                | Regulator                                                 | % interest held | Regulatory treatment Fully consolidated | Entities that are given a deduction treatment | Country of operation | Restrictions and major impediments on the transfer of funds and regulatory capital within the group |
|-----------------------------------------------------|-----------------------------------------------------------|-----------------|-----------------------------------------|-----------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------|
| Mayflower Management Limited                        | FSA                                                       | 47.3%           | Proportionately Consolidated            |                                               | UK                   | Subject to regulatory rules                                                                         |
| Hargreave Hale Limited                              | FSA                                                       | 35.0%           | Proportionately Consolidated            |                                               | UK                   | Subject to regulatory rules                                                                         |
| <b>Asset Management</b>                             |                                                           |                 |                                         |                                               |                      |                                                                                                     |
| Investec Asset Management Limited                   | FSA                                                       | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| Investec Asset Management US Limited                | FSA Securities and Exchange Commission                    | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| Investec Management Ltd                             | FSA                                                       | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| Investec Fund Managers Ltd                          | FSA                                                       | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| Investec Investment Management Ltd                  | FSA                                                       | 100%            | Yes                                     |                                               | UK                   | Subject to regulatory rules                                                                         |
| Investec Asset Management Asia Ltd                  | Hong Kong Securities and Futures Commission               | 100%            | Yes                                     |                                               | Hong Kong            | Subject to regulatory rules                                                                         |
| Investec Asset Management (Guernsey) Limited        | Guernsey Financial Services Commission                    | 100%            | Yes                                     |                                               | Guernsey             | Subject to regulatory rules                                                                         |
| Investec Asset Management (Channel Islands) Limited | Guernsey Financial Services Commission                    | 100%            | Yes                                     |                                               | Ireland              | Subject to regulatory rules                                                                         |
| Investec Asset Management (Ireland) Limited         | Irish Financial Services Regulatory Authority             | 100%            | Yes                                     |                                               | Ireland              | Subject to regulatory rules                                                                         |
| Investec Asset Management Taiwan Limited            | Taiwan Securities and Futures Commission                  | 100%            | Yes                                     |                                               | Taiwan               | Subject to regulatory rules                                                                         |
| Investec Asset Management Australia Pty Ltd         | Australian Securities and Investment Commission           | 100%            | Yes                                     |                                               | Australia            | Subject to regulatory rules                                                                         |
| Unregulated subsidiaries                            | Not regulated subject to consolidated supervision         |                 |                                         |                                               |                      |                                                                                                     |
| Investec Holdings Company Limited                   |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Investec Group (UK) plc                             |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Investec Asset Finance plc                          |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Investec Finance plc                                |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Investec Group Investments (UK) Limited             |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Investec Investment Holdings AG                     |                                                           | 100%            | Yes                                     |                                               | Switzerland          | None                                                                                                |
| Investec Trust (Switzerland) S A                    |                                                           | 100%            | Yes                                     |                                               | Switzerland          | None                                                                                                |
| Kensington Group plc                                |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Kensington Mortgages Limited                        |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Newbury Park Mortgage Funding Limited               |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| St James's Park Mortgage Funding Limited            |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Expenen (Pty) Limited                               |                                                           | 100%            | Yes                                     |                                               | Australia            | None                                                                                                |
| Guinness Mahon & Co Limited                         |                                                           | 100%            | Yes                                     |                                               | UK                   | None                                                                                                |
| Unregulated subsidiaries                            | Not regulated and not subject to consolidated supervision |                 |                                         |                                               |                      |                                                                                                     |
| Global Ethanol Holdings Limited                     |                                                           | 44.4%           |                                         | Deduction                                     | USA                  | Minority interests                                                                                  |
| Global Ethanol LLC                                  |                                                           | 26.6%           |                                         | Deduction                                     | USA                  | Minority interests                                                                                  |
| Ida Tech plc                                        |                                                           | 73.1%           |                                         | Deduction                                     | USA                  | Minority interests                                                                                  |

## Risk management

### Investec Limited

| Identity of investment/interest held                        | Regulator                                         | % interest held | Regulatory treatment Fully consolidated | Entities that are given a deduction treatment | Country of operation | Restrictions and major impediments on the transfer of funds and regulatory capital within the group |
|-------------------------------------------------------------|---------------------------------------------------|-----------------|-----------------------------------------|-----------------------------------------------|----------------------|-----------------------------------------------------------------------------------------------------|
| <b>Bank controlling company</b>                             |                                                   |                 |                                         |                                               |                      |                                                                                                     |
| Investec Limited                                            | SARB                                              | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| <b>Regulated subsidiaries</b>                               |                                                   |                 |                                         |                                               |                      |                                                                                                     |
| <b>Banking and securities trading</b>                       |                                                   |                 |                                         |                                               |                      |                                                                                                     |
| Investec Bank Limited                                       | SARB                                              | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec Bank (Mauntius) Limited                            | Bank of Mauntius                                  | 100%            | Yes                                     |                                               | Mauntius             | None                                                                                                |
| Investec Securities Limited                                 | JSE FSB, BESA SAFEX                               | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| <b>Asset Management</b>                                     |                                                   |                 |                                         |                                               |                      |                                                                                                     |
| Investec Asset Management Holdings (Pty) Ltd                | FSB/SAFEX                                         | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec Asset Management (Pty) Ltd                         | FSB/SAFEX                                         | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec Fund Managers SA Ltd                               | FSB/SAFEX                                         | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| <b>Insurance</b>                                            |                                                   |                 |                                         |                                               |                      |                                                                                                     |
| Investec Employee Benefits Holdings (Pty) Ltd               | FSB                                               | 100%            | Deconsolidated                          |                                               | SA                   | None                                                                                                |
| Investec Employee Benefits Ltd                              | FSB                                               | 100%            | Deconsolidated                          |                                               | SA                   | None                                                                                                |
| Investec Assurance Limited                                  | FSB and Long-Term Insurance Act                   | 100%            | Deconsolidated                          |                                               | SA                   | None                                                                                                |
| <b>Unregulated subsidiaries</b>                             | Not regulated subject to consolidated supervision |                 |                                         |                                               |                      |                                                                                                     |
| Reichmans Holdings Limited                                  |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| AEL Investment Holdings (Pty) Ltd                           |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investpref Ltd                                              |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| KWJ Investments (Pty) Ltd                                   |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Securities Equities (Pty) Ltd                               |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Sechold Finance Services (Pty) Ltd                          |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec Personal Financial Services (Pty) Ltd (HSBC)       |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Fedsure International Ltd                                   |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec Employee Share Incentive Scheme Services (Pty) Ltd |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec International Holdings (Gibraltar) Ltd             |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Quyn Martin Asset Management (Pty) Ltd                      |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec Group Data (Pty) Ltd                               |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| APA Network Consultants (Pty) Ltd                           |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Fuzztique (Pty) Limited                                     |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Cordatus Capital (Pty) Ltd                                  |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |
| Investec Properties Group Holdings Ltd                      |                                                   | 100%            | Yes                                     |                                               | SA                   | None                                                                                                |

There are no current or foreseen material practical or legal impediments to the prompt transfer of capital resources or repayment of liabilities among the parent undertaking and its subsidiary undertakings, other than indicated on the table above



# Risk management

## Capital structure

Summary information on the terms and conditions of the main features of all capital instruments is provided on pages 299 to 302

| As at 31 March 2009                            | Investec plc<br>£'mn | IBP*<br>£'mn | IBAL*<br>AUD'mn | Investec<br>Limited<br>R'mn | IBL*<br>R'mn  |
|------------------------------------------------|----------------------|--------------|-----------------|-----------------------------|---------------|
| <b>Regulatory capital</b>                      |                      |              |                 |                             |               |
| Tier 1                                         |                      |              |                 |                             |               |
| Called up share capital                        | -                    | 655          | 292             | -                           | 22            |
| Share premium                                  | 839                  | 37           | -               | 9 862                       | 9 056         |
| Retained income                                | 340                  | 275          | 336             | 7 872                       | 5 098         |
| Treasury shares                                | (39)                 | -            | -               | (1 758)                     | -             |
| Other reserves                                 | 115                  | 50           | (7)             | 340                         | 6             |
| Minority interests in subsidiaries             | 156                  | (11)         | -               | -                           | -             |
| Goodwill                                       | (296)                | (72)         | (89)            | (309)                       | -             |
| <b>Total Tier 1</b>                            | <b>1 115</b>         | <b>934</b>   | <b>532</b>      | <b>16 007</b>               | <b>14 182</b> |
| Less deductions                                | (41)                 | (18)         | (94)            | (141)                       | (242)         |
|                                                | <b>1 074</b>         | <b>916</b>   | <b>438</b>      | <b>15 866</b>               | <b>13 940</b> |
| <b>Tier 2 capital</b>                          |                      |              |                 |                             |               |
| Aggregate amount                               | 745                  | 604          | 134             | 5 106                       | 5 106         |
| Less deductions                                | (41)                 | (18)         | (17)            | (142)                       | (142)         |
|                                                | <b>704</b>           | <b>586</b>   | <b>117</b>      | <b>4 964</b>                | <b>4 964</b>  |
| <b>Tier 3 capital</b>                          |                      |              |                 |                             |               |
| Aggregate amount                               | 10                   | 10           | -               | -                           | -             |
| <b>Other deductions from Tier 1 and Tier 2</b> | <b>(67)</b>          | <b>(105)</b> | <b>-</b>        | <b>-</b>                    | <b>-</b>      |
| <b>Total capital</b>                           | <b>1 721</b>         | <b>1 407</b> | <b>555</b>      | <b>20 830</b>               | <b>18 904</b> |
| <b>As at 31 March 2008</b>                     |                      |              |                 |                             |               |
| <b>Regulatory capital</b>                      |                      |              |                 |                             |               |
| Tier 1                                         |                      |              |                 |                             |               |
| Called up share capital                        | -                    | 555          | 292             | -                           | 19            |
| Share premium                                  | 781                  | 37           | -               | 8 423                       | 8 277         |
| Retained income                                | 299                  | 275          | 345             | 6 508                       | 4 328         |
| Treasury shares                                | (16)                 | -            | -               | (1 227)                     | -             |
| Other reserves                                 | 90                   | 27           | (2)             | 48                          | 4             |
| Minority interests in subsidiaries             | 159                  | -            | -               | -                           | -             |
| Goodwill                                       | (308)                | (74)         | (84)            | (339)                       | -             |
| <b>Total Tier 1</b>                            | <b>1 005</b>         | <b>820</b>   | <b>551</b>      | <b>13 413</b>               | <b>12 628</b> |
| Less deductions                                | (69)                 | (29)         | (90)            | (303)                       | (402)         |
|                                                | <b>936</b>           | <b>791</b>   | <b>461</b>      | <b>13 110</b>               | <b>12 226</b> |
| <b>Tier 2 capital</b>                          |                      |              |                 |                             |               |
| Aggregate amount                               | 736                  | 602          | 118             | 5 290                       | 5 006         |
| Less deductions                                | (69)                 | (29)         | (26)            | (204)                       | (204)         |
|                                                | <b>667</b>           | <b>573</b>   | <b>92</b>       | <b>5 086</b>                | <b>4 802</b>  |
| <b>Tier 3 capital</b>                          |                      |              |                 |                             |               |
| Aggregate amount                               | 18                   | 18           | -               | -                           | -             |
| <b>Other deductions from Tier 1 and Tier 2</b> | <b>(67)</b>          | <b>(116)</b> | <b>-</b>        | <b>-</b>                    | <b>-</b>      |
| <b>Total capital</b>                           | <b>1 554</b>         | <b>1 266</b> | <b>553</b>      | <b>18 196</b>               | <b>17 028</b> |

\* Where IBP is Investec Bank plc IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited

# Risk management

## Capital requirements

| As at 31 March 2009                                          | Investec plc<br>£'mn | IBP*<br>£'mn | IBAL*<br>AUD'mn | Investec<br>Limited<br>R'mn | IBL*<br>R'mn  |
|--------------------------------------------------------------|----------------------|--------------|-----------------|-----------------------------|---------------|
| <b>Capital requirements</b>                                  | <b>852</b>           | <b>709</b>   | <b>394</b>      | <b>13 951</b>               | <b>12 652</b> |
| Credit risk - prescribed standardised exposure classes       | 680                  | 578          | 340             | 11 431                      | 10 780        |
| Corporates                                                   | 211                  | 216          | 245             | 9 154                       | 8 507         |
| Secured on real estate property                              | 245                  | 197          | 6               | 968                         | 968           |
| Counterparty risk on trading positions                       | 25                   | 25           | 18              | 349                         | 349           |
| Short-term claims on institutions and corporates             | 29                   | 25           | 23              | 292                         | 288           |
| Retail                                                       | 41                   | 41           | 16              | 251                         | 251           |
| Institutions                                                 | 17                   | 14           | 11              | 331                         | 331           |
| Other exposure classes                                       | 112                  | 60           | 21              | 86                          | 86            |
| Securitisation exposures                                     | 17                   | 16           | -               | 169                         | 169           |
| Equity risk - standardised approach                          | 16                   | 16           | 11              | 625                         | 576           |
| Listed equities                                              | 2                    | 2            | 1               | 96                          | 47            |
| Unlisted equities                                            | 14                   | 14           | 10              | 529                         | 529           |
| Market risk - portfolios subject to internal models approach | 29                   | 29           | 1               | 171                         | 106           |
| Interest rate                                                | 14                   | 14           | 1               | 17                          | 17            |
| Foreign Exchange                                             | 1                    | 1            | -               | 39                          | 39            |
| Commodities                                                  | -                    | -            | -               | 8                           | 8             |
| Equities                                                     | 14                   | 14           | -               | 107                         | 42            |
| Operational risk - standardised approach                     | 110                  | 70           | 42              | 1 555                       | 1 021         |

| As at 31 March 2008                                          | Investec plc<br>£'mn | IBP*<br>£'mn | IBAL*<br>AUD'mn | Investec<br>Limited<br>R'mn | IBL*<br>R'mn  |
|--------------------------------------------------------------|----------------------|--------------|-----------------|-----------------------------|---------------|
| <b>Capital requirements</b>                                  | <b>813</b>           | <b>695</b>   | <b>442</b>      | <b>12 395</b>               | <b>11 285</b> |
| Credit risk - prescribed standardised exposure classes       | 669                  | 584          | 378             | 10 462                      | 9 914         |
| Corporates                                                   | 239                  | 236          | 296             | 8 150                       | 7 604         |
| Secured on real estate property                              | 249                  | 196          | 11              | 754                         | 754           |
| Counterparty risk on trading positions                       | 40                   | 40           | 13              | 485                         | 485           |
| Short-term claims on institutions and corporates             | 33                   | 20           | 24              | 250                         | 248           |
| Retail                                                       | 28                   | 28           | 25              | 313                         | 313           |
| Institutions                                                 | 27                   | 22           | 3               | 421                         | 421           |
| Other exposure classes                                       | 53                   | 42           | 6               | 89                          | 89            |
| Securitisation exposures                                     | 6                    | 5            | -               | 118                         | 118           |
| Equity risk - standardised approach                          | 11                   | 11           | 15              | 361                         | 346           |
| Listed equities                                              | 3                    | 3            | 4               | 45                          | 30            |
| Unlisted equities                                            | 8                    | 8            | 11              | 316                         | 316           |
| Market risk - portfolios subject to internal models approach | 30                   | 30           | 3               | 193                         | 57            |
| Interest rate                                                | 20                   | 20           | 3               | 9                           | 9             |
| Foreign Exchange                                             | 1                    | 1            | -               | 17                          | 17            |
| Commodities                                                  | 3                    | 3            | -               | 3                           | 3             |
| Equities                                                     | 6                    | 6            | -               | 164                         | 28            |
| Operational risk - standardised approach                     | 97                   | 65           | 46              | 1 261                       | 850           |

\* Where IBP is Investec Bank plc, IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited

# Risk management

## Capital adequacy

As at 31 March 2009

|                                                              | Investec plc | IBP*  | IBAL*  | Investec Limited | IBL*    |
|--------------------------------------------------------------|--------------|-------|--------|------------------|---------|
|                                                              | £'mn         | £'mn  | AUD'mn | R'mn             | R'mn    |
| Tier 1 capital                                               | 1 115        | 934   | 621    | 16 007           | 14 182  |
| Less deductions                                              | (41)         | (18)  | (183)  | (141)            | (242)   |
|                                                              | 1 074        | 916   | 438    | 15 866           | 13 940  |
| Tier 2 capital                                               | 745          | 604   | 134    | 5 106            | 5 106   |
| Less deductions                                              | (41)         | (18)  | (17)   | (142)            | (142)   |
|                                                              | 704          | 586   | 117    | 4 964            | 4 964   |
| Tier 3 capital                                               |              |       |        |                  |         |
| Aggregate amount                                             | 10           | 10    | -      | -                | -       |
| Other deductions from Tier 1 and Tier 2                      | (67)         | (105) | -      | -                | -       |
| Total capital                                                | 1 721        | 1 407 | 555    | 20 830           | 18 904  |
| Risk-weighted assets (banking and trading)                   | 10 645       | 8 855 | 3 028  | 146 856          | 133 180 |
| Credit risk - prescribed standardised exposure classes       | 8 492        | 7 220 | 2 612  | 120 331          | 113 478 |
| Corporates                                                   | 2 641        | 2 701 | 1 882  | 96 359           | 89 547  |
| Secured on real estate property                              | 3 060        | 2 459 | 44     | 10 186           | 10 186  |
| Counterparty risk on trading positions                       | 308          | 308   | 136    | 3 678            | 3 678   |
| Short-term claims on institutions and corporates             | 365          | 312   | 176    | 3 077            | 3 036   |
| Retail                                                       | 514          | 514   | 126    | 2 640            | 2 640   |
| Institutions                                                 | 199          | 175   | 83     | 3 489            | 3 489   |
| Other exposure classes                                       | 1 405        | 751   | 165    | 902              | 902     |
| Securitisation exposures                                     | 218          | 206   | -      | 1 778            | 1 778   |
| Equity risk - standardised approach                          | 199          | 197   | 83     | 6 573            | 6 061   |
| Listed equities                                              | 29           | 27    | 7      | 1 009            | 497     |
| Unlisted equities                                            | 170          | 170   | 76     | 5 564            | 5 564   |
| Market risk - portfolios subject to internal models approach | 359          | 359   | 11     | 1 805            | 1 118   |
| Interest rate                                                | 171          | 171   | 10     | 182              | 182     |
| Foreign Exchange                                             | 12           | 12    | 1      | 405              | 405     |
| Commodities                                                  | 2            | 2     | -      | 83               | 83      |
| Equities                                                     | 174          | 174   | -      | 1 135            | 448     |
| Operational risk - standardised approach                     | 1 377        | 873   | 322    | 16 369           | 10 745  |
| Capital adequacy ratio                                       | 16.2%        | 15.9% | 18.3%  | 14.2%            | 14.2%   |
| Tier 1 ratio                                                 | 10.1%        | 10.3% | 14.4%  | 10.8%            | 10.5%   |
| Capital adequacy ratio - pre operational risk                | 18.6%        | 17.6% | 20.5%  | 16.0%            | 15.4%   |
| Tier 1 ratio - pre operational risk                          | 11.6%        | 11.5% | 16.2%  | 12.2%            | 11.4%   |

\* Where IBP is Investec Bank plc IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited

# Risk management

## Capital adequacy (continued)

| As at 31 March 2008                                          | Investec plc | IBP*  | IBAL*  | Investec Limited | IBL*    |
|--------------------------------------------------------------|--------------|-------|--------|------------------|---------|
|                                                              | £'mn         | £'mn  | AUD'mn | R'mn             | R'mn    |
| Tier 1 capital                                               | 1 005        | 820   | 635    | 13 413           | 12 628  |
| Less deductions                                              | (69)         | (29)  | (174)  | (303)            | (402)   |
|                                                              | 936          | 791   | 461    | 13 110           | 12 226  |
| Tier 2 capital                                               | 736          | 602   | 118    | 5 290            | 5 006   |
| Less deductions                                              | (69)         | (29)  | (26)   | (204)            | (204)   |
|                                                              | 667          | 573   | 92     | 5 086            | 4 802   |
| Tier 3 capital                                               |              |       |        |                  |         |
| Aggregate amount                                             | 18           | 18    | -      | -                | -       |
| Other deductions from Tier 1 and Tier 2                      | (67)         | (116) | -      | -                | -       |
| Total capital                                                | 1 554        | 1 266 | 553    | 18 196           | 17 028  |
| Risk-weighted assets (banking and trading)                   | 10 162       | 8 688 | 2 944  | 130 474          | 118 792 |
| Credit risk - prescribed standardised exposure classes       | 8 364        | 7 301 | 2 521  | 110 123          | 104 357 |
| Corporates                                                   | 2 991        | 2 953 | 1 973  | 85 785           | 80 043  |
| Secured on real estate property                              | 3 108        | 2 441 | 73     | 7 935            | 7 935   |
| Counterparty risk on trading positions                       | 504          | 504   | 87     | 5 104            | 5 104   |
| Short-term claims on institutions and corporates             | 406          | 247   | 163    | 2 630            | 2 606   |
| Retail                                                       | 355          | 355   | 164    | 3 293            | 3 293   |
| Institutions                                                 | 343          | 279   | 22     | 4 430            | 4 430   |
| Other exposure classes                                       | 657          | 522   | 39     | 946              | 946     |
| Securitisation exposures                                     | 75           | 63    | -      | 1 237            | 1 237   |
| Equity risk - standardised approach                          | 142          | 138   | 100    | 3 798            | 3 644   |
| Listed equities                                              | 38           | 34    | 24     | 471              | 318     |
| Unlisted equities                                            | 104          | 104   | 76     | 3 327            | 3 326   |
| Market risk - portfolios subject to internal models approach | 372          | 372   | 19     | 2 046            | 605     |
| Interest rate                                                | 255          | 255   | 17     | 95               | 95      |
| Foreign Exchange                                             | 13           | 13    | 2      | 184              | 184     |
| Commodities                                                  | 33           | 33    | -      | 36               | 36      |
| Equities                                                     | 71           | 71    | -      | 1 731            | 290     |
| Operational risk - standardised approach                     | 1 209        | 814   | 304    | 13 270           | 8 949   |
| Capital adequacy ratio                                       | 15.3%        | 14.6% | 18.8%  | 13.9%            | 14.3%   |
| Tier 1 ratio                                                 | 9.2%         | 9.1%  | 15.7%  | 10.0%            | 10.3%   |
| Capital adequacy ratio - pre operational risk                | 17.4%        | 16.1% | 21.0%  | 15.5%            | 15.5%   |
| Tier 1 ratio - pre operational risk                          | 10.5%        | 10.0% | 17.5%  | 11.2%            | 11.1%   |

\* Where IBP is Investec Bank plc, IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited

# Risk management

## Analysis of rated counterparties in each standardised credit risk exposure class

The tables below show the exposure amounts associated with the credit quality steps and relevant risk weightings as at 31 March 2009

The capital requirement disclosed as held against credit risk as at 31 March 2009 includes a small amount of capital held for counterparty credit risk, mainly within the group's trading businesses. On the basis of materiality no detail has been provided on this risk in the following analysis

Investec plc

### Credit quality steps

|                                                                           | Risk weight | Exposure<br>£'mn | Exposure after<br>credit risk<br>mitigation<br>£'mn |
|---------------------------------------------------------------------------|-------------|------------------|-----------------------------------------------------|
| <b>Central Banks and Sovereigns</b>                                       |             |                  |                                                     |
| 1                                                                         | 0%          | 1 117            | 1 117                                               |
| 2                                                                         | 20%         | -                | -                                                   |
| 3                                                                         | 50%         | -                | -                                                   |
| 4                                                                         | 100%        | -                | -                                                   |
| 5                                                                         | 100%        | -                | -                                                   |
| 6                                                                         | 150%        | -                | -                                                   |
| <b>Institutions original effective maturity of more than three months</b> |             |                  |                                                     |
| 1                                                                         | 20%         | 657              | 492                                                 |
| 2                                                                         | 50%         | 173              | 173                                                 |
| 3                                                                         | 50%         | 85               | 57                                                  |
| 4                                                                         | 100%        | -                | -                                                   |
| 5                                                                         | 100%        | -                | -                                                   |
| 6                                                                         | 150%        | -                | -                                                   |
| <b>Short-term claims on institutions</b>                                  |             |                  |                                                     |
| 1                                                                         | 20%         | 680              | 680                                                 |
| 2                                                                         | 20%         | 497              | 497                                                 |
| 3                                                                         | 20%         | 36               | 36                                                  |
| 4                                                                         | 50%         | -                | -                                                   |
| 5                                                                         | 50%         | -                | -                                                   |
| 6                                                                         | 150%        | -                | -                                                   |
| <b>Corporates</b>                                                         |             |                  |                                                     |
| 1                                                                         | 20%         | 2                | 2                                                   |
| 2                                                                         | 50%         | -                | -                                                   |
| 3                                                                         | 100%        | -                | -                                                   |
| 4                                                                         | 100%        | 5                | 5                                                   |
| 5                                                                         | 150%        | -                | -                                                   |
| 6                                                                         | 150%        | -                | -                                                   |
| <b>Securitisation positions</b>                                           |             |                  |                                                     |
| 1                                                                         | 20%         | 113              | 113                                                 |
| 2                                                                         | 50%         | 15               | 15                                                  |
| 3                                                                         | 100%        | 66               | 66                                                  |
| 4                                                                         | 350%        | 14               | 14                                                  |
| 5                                                                         | 1250%       | 4                | 4                                                   |
| <b>Total rated counterparty exposure</b>                                  |             | <b>3 464</b>     | <b>3 271</b>                                        |

## Risk management

### Analysis of rated counterparties in each standardised credit risk exposure class (continued)

Investec Limited

#### Credit quality steps

|                                                                           | Risk weight | Exposure<br>R'mn | Exposure after<br>credit risk<br>risk mitigation<br>R'mn |
|---------------------------------------------------------------------------|-------------|------------------|----------------------------------------------------------|
| <b>Central Banks and Sovereigns</b>                                       |             |                  |                                                          |
| 1                                                                         | 0%          | 10 468           | 10 468                                                   |
| 2                                                                         | 20%         | -                | -                                                        |
| 3                                                                         | 50%         | 24               | 24                                                       |
| 4                                                                         | 100%        | -                | -                                                        |
| 5                                                                         | 100%        | -                | -                                                        |
| 6                                                                         | 150%        | -                | -                                                        |
| <b>Institutions original effective maturity of more than three months</b> |             |                  |                                                          |
| 1                                                                         | 20%         | -                | -                                                        |
| 2                                                                         | 50%         | 4 253            | 4 253                                                    |
| 3                                                                         | 50%         | 2 368            | 2 368                                                    |
| 4                                                                         | 100%        | -                | -                                                        |
| 5                                                                         | 100%        | -                | -                                                        |
| 6                                                                         | 150%        | -                | -                                                        |
| <b>Short-term claims on institutions and corporates</b>                   |             |                  |                                                          |
| 1                                                                         | 20%         | 2 982            | 2 982                                                    |
| 2                                                                         | 20%         | 4 933            | 4 933                                                    |
| 3                                                                         | 20%         | 6 477            | 6 477                                                    |
| 4                                                                         | 50%         | 4                | 4                                                        |
| 5                                                                         | 50%         | -                | -                                                        |
| 6                                                                         | 150%        | -                | -                                                        |
| <b>Corporates</b>                                                         |             |                  |                                                          |
| 1                                                                         | 20%         | 186              | 186                                                      |
| 2                                                                         | 50%         | 60               | 60                                                       |
| 3                                                                         | 100%        | 87               | 87                                                       |
| 4                                                                         | 100%        | 99               | 99                                                       |
| 5                                                                         | 150%        | -                | -                                                        |
| 6                                                                         | 150%        | -                | -                                                        |
| <b>Securitisation positions</b>                                           |             |                  |                                                          |
| 1                                                                         | 20%         | 101              | 101                                                      |
| 2                                                                         | 50%         | 2 397            | 2 397                                                    |
| 3                                                                         | 100%        | 189              | 189                                                      |
| 4                                                                         | 350%        | 37               | 37                                                       |
| 5                                                                         | 1 250%      | 360              | 360                                                      |
| <b>Total rated counterparty exposure</b>                                  |             | <b>35 025</b>    | <b>35 025</b>                                            |

Risk and governance





## Credit ratings

In terms of our Dual Listed Companies structure, Investec plc and Investec Limited are treated separately from a credit point of view. As a result, the rating agencies have assigned ratings to the significant banking entities within the group, namely Investec Bank plc, Investec Bank Limited and Investec Bank (Australia) Limited. Certain rating agencies have assigned ratings to the holding companies, namely Investec plc and Investec Limited.

| Rating agency         |                                                                                                                                                    | Investec Limited         | Investec Bank Limited - a subsidiary of Investec Limited | Investec plc     | Investec Bank plc - a subsidiary of Investec plc | Investec Bank (Australia) Limited - a subsidiary of Investec Bank plc |
|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------------------------------------------------|------------------|--------------------------------------------------|-----------------------------------------------------------------------|
| Fitch                 | Individual rating<br>Support rating<br>Foreign currency<br>Short-term<br>Long-term<br>National<br>Short-term<br>Long-term                          | C<br>5<br><br>F2<br>BBB+ | C<br>2<br><br>F2<br>BBB+<br><br>F1+(zaf)<br>AA-(zaf)     |                  | C<br>5<br><br>F3<br>BBB                          | C<br>2<br><br>F2<br>BBB                                               |
| Moody's               | Bank financial strength rating<br>Foreign currency<br>Short-term deposit rating<br>Long-term deposit rating<br>National<br>Short-term<br>Long-term |                          | C<br><br>Prime-2<br>Baa1<br><br>P1(zaf)<br>Aa2(zaf)      | Non prime<br>Ba1 | D+<br><br>Prime-3<br>Baa3                        | C-<br><br>Prime-2<br>Baa1                                             |
| Global Credit Ratings | Local currency<br>Short-term<br>Long-term                                                                                                          |                          | A1+(zaf)<br>AA-(zaf)                                     |                  | A2<br>BBB+                                       |                                                                       |

## Internal Audit

Internal Audit provides objective and independent assurance to management and the board that group processes are adequate to identify the significant risks to which we are exposed and that the control environment is effective enough to manage these risks. Internal Audit recommends enhancements to risk management, control and governance processes to address any weaknesses identified.

An Internal Audit charter, approved by the Group Audit Committees and reviewed annually, governs our internal audit activity. The charter defines the role, objectives, authority and responsibilities of the function.

As a result of the silo specific regulatory responsibilities arising from our DLC structure, there are two group Internal Audit departments located in London and Johannesburg, responsible for Investec plc and Investec Limited, respectively. An Internal Audit function reporting into Investec plc also exists in Sydney. The combined functions cover all of the geographies in which we operate. These departments use similar risk based methodologies and co-operate technically and operationally. The heads of Internal Audit report at each Audit Committee meeting and have a direct reporting line to the Chairman of the Audit Committee. They operate independently of executive management but have access to their local Chief Executive Officer and the Chairman of the Audit Committee. For administrative and co-ordination purposes, they also report to the Global Head of Corporate Governance and Compliance. Our Internal Audit departments have adopted and comply with the International Standards for the Professional Practice of Internal Auditing.

Annually, Internal Audit conducts a formal risk assessment of all businesses from which a comprehensive risk based annual audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible Audit Committee. High risk businesses and processes are audited annually, with other areas covered at regular intervals based on their risk profile. There is an ongoing focus on identifying fraud risk as well as auditing technology risks given our dependence on IT systems. As a result of the continuing instability in the macro economic environment there has been a focus in the past year on the provision of assurance over liquidity, credit and capital management controls. We also liaise with the external auditors to enhance efficiencies. The annual plan is reviewed regularly to ensure that it remains relevant and responsive, given changes in our operating environment. The Audit Committee approves any changes to the plan.

Internal Audit proactively reviews its practices and resources for adequacy and appropriateness, to meet our increasingly demanding corporate governance and regulatory environment. Audit teams comprising well-qualified, experienced staff ensure that the function has the competence to match our diverse requirements. Where specific specialist skills or additional resources are required, these will be obtained from third parties as appropriate. The Internal Audit resources are subject to review by the respective Audit Committees at least once a year.

Significant control weaknesses are reported, in terms of an escalation protocol, to the Audit and Compliance Implementation Forums, where rectification procedures and progress are considered and monitored at a detailed level by management. The Audit Committee receives a report on significant issues and actions taken by management to enhance related controls.



# Compliance

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

We are subject to extensive supervisory and regulatory governance in the countries in which we operate. The SARB is our lead regulator. Significant business developments in any of our operations must be approved by the Reserve Bank as well as by the business home country regulatory authority.

Under the DLC structure, both Investec plc and Investec Limited maintain separate Compliance structures. Each Compliance structure operates under terms of reference which are approved by its listed company board and Audit Committee. Each Compliance structure is headed by a Group Compliance Officer, who operates independently from operational management and is responsible for ensuring adequate management of compliance risk within their silo. Each Group Compliance Officer reports to the Chief Executive Officer of their listed company as well as to the Global Head of Compliance, who is ultimately responsible for management of the Compliance function of both listed groups. The Group Compliance Officers have unrestricted access to the Chairman of their Audit Committee.

The Compliance divisions operate under matrix management reporting structures and are decentralised throughout the businesses. Under these arrangements, Compliance Officers are appointed to all significant business units and report to the business heads, but remain under the general supervision of Group Compliance. Where appropriate, certain cross-enterprise compliance functions, such as Compliance Monitoring, are centralised and report directly to the Group Compliance Officer.

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

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

## UK and Europe - year in review

The UK and European financial systems have experienced significant turmoil particularly over the last six months. As a result of this, we expect fundamental reforms to take place to the international regulatory and supervisory framework. Significant work is already underway with the Financial Stability Board and the global standard setters including the Basel Committee on Banking Supervision and the International Organisation of Securities Commissions. In the UK, a significant contribution to the debate was provided by the Chairman of the UK's FSA in the form of the Turner Review. This report had a wide scope which included a review of the causes of the current crisis, and recommendations on the changes in regulation and supervisory approach needed to create a more robust banking system for the future. The European Commission's High Level Group on European Financial Supervision published its report in December 2008.

During the period under review, regulatory activity in the UK has focused on:

- Liquidity and stress testing
- Banking Conduct of Business
- Payment Services
- Treating Customers Fairly
- Various market conduct measures (including civil and criminal prosecutions)

### Liquidity and stress testing

The FSA is conducting a comprehensive review and restructuring of its liquidity regime and is taking part in various liquidity work streams both in Europe and globally. The FSA published a consultation paper in this regard in December 2008. Whilst it remains the responsibility of firms' senior management to adopt a sound approach to liquidity risk management, the FSA is proposing the following:

- A new, quantitative framework for liquidity risk management which places greater emphasis on firms' ability to assess liquidity risks and develop policies to tackle them,
- A strengthened qualitative framework for liquidity risk management, with an increased focus on firms' stress testing and contingency funding plans, new liquidity reporting requirements, and
- A new approach to firms operating in the UK which are part of a wider UK or international group.

The FSA believe that the proposed measures will enhance firms' liquidity risk management practices significantly and will, in some cases, reshape their business models over the coming years. Furthermore, the measures are intended to improve the FSA's ability to monitor and supervise firms' liquidity risk exposures.

In relation to stress testing, the FSA are proposing to introduce a 'reverse-stress test' requirement, which would apply to banks, building societies, investment firms and insurers, and would require firms to consider the scenarios most likely to cause their current business model to become unviable. The FSA is also proposing to make some drafting changes to the existing requirements on Pillar 2 capital stress and scenario testing, or where firms use internal models to assess their Pillar 1 capital requirements. The proposed changes are intended to better reflect the importance that the FSA attaches to robust stress and scenario testing and clarify the FSA's expectations of firms.

# Compliance

## Banking Conduct of Business/Payment Services

The FSA has proposed a new framework to regulate the way that banks treat their customers. Currently, the Banking Code Standards Board monitors and enforces the voluntary Banking Codes governing current accounts, personal loans and overdrafts, savings accounts, card services and ATMs.

This year the FSA will become responsible for regulating banks and building societies payment transactions under the Payment Services Directive. The FSA is proposing an extension of their regulation to include all aspects of banks' relationships with their retail customers and is looking to introduce the following framework:

- Full application of the FSA's Principles for Businesses to the regulated activities of accepting deposits and issuing electronic-money,
- New high-level rules applying to retail banking services outside PSD scope in a Banking Conduct of Business sourcebook,
- Transfer of existing COBS rules and guidance applying to deposit taking to BCOBS, and
- Monitoring and enforcement by the FSA, integrated into the wider risk-based approach to the supervision of the relevant firms and groups.

## Treating Customers Fairly (TCF)

TCF remains central to the FSA's retail strategy. Firms were expected to meet the FSA's December 2008 deadline where they were required to prove that TCF management information demonstrated that they were consistently treating customers fairly. The FSA has confirmed that as from January 2009 delivery of TCF will be tested as part of firms' usual supervision and to achieve this, the FSA has said that it will accelerate the full integration of TCF into core supervisory work.

## Market abuse measures

The combating of market abuse continues to be a significant objective for the FSA. Their agenda has included a move to pursue insider dealing cases in the criminal courts. During 2008 we also saw various other initiatives from the FSA including:

- **Short selling** - On 18 September 2008 the FSA introduced temporary short selling measures in relation to stocks in UK financial sector companies on an emergency basis. The measures were introduced because of concerns about the potential for market abuse resulting from short selling and the consequent destabilising effects in the extreme circumstances prevailing at the time. The FSA effectively banned the active creation or increase of net short positions in the stocks of UK financial sector companies and required disclosure to the market of significant short positions in those stocks. The FSA has now lifted the ban but have extended the disclosure obligation until 30 June 2009 and continue to keep the position under review. The FSA has said that it will reintroduce the ban should this be warranted, and without consultation if necessary.
- **Unauthorised trading controls** - In response to the Société Générale 'rogue trader' incident the FSA published its expectations for the systems and controls necessary to deter unauthorised trading, to detect it promptly if it is occurring and to take appropriate corrective action. The measures expected by the FSA include mandatory 10 day holidays for all traders.
- **Rumours** - The FSA has published guidelines with respect to the dissemination of false or misleading information and market rumours about companies. The FSA expressed concern about the impact these forms of market abuse have on general market confidence, particularly in volatile or fragile market conditions.

## South Africa - year in review

### Anti-money laundering (AML)

The implementation of the Financial Intelligence Centre Act (FICA) and Protection of Constitutional Democracy against Terrorism and Related Activities is ongoing. In response to international best practice standards of anti-money laundering and anti-terror financing and in particular to Guidance Note 3 issued by the Financial Intelligence Centre which permits an accountable institution to adopt a risk based approach, we have developed and implemented a centralised AML system that has the capability to:

- Risk weight clients according to the money laundering and/or terror financing risks they may potentially pose
- Compare client lists to databases of adverse client information issued by regulatory authorities (which includes persons named on the United Nations lists)
- Administer in a central repository the ongoing maintenance of a client's identification and verification and risk weighting

During the past year there has been an initiative to get all business units to implement the AML system, which in turn will provide for a centralised view of the Investec customer base. These systematic developments are supported by an enhanced Group Anti-Money Laundering and Anti-Terror Financing Policy which incorporates a Client Acceptance Policy to accommodate this risk weighting and the screening of clients.

A further enhancement to the AML system to more adequately address the legislative requirements of suspicious activity reporting was implemented in the last quarter of 2008. In terms of the transactional monitoring requirement, a project has been initiated in 2008 which is aimed at the implementation of an automated suspicious activity monitoring system (ASAM) which takes cognisance of the clients' risk weighting and screening and profiles the clients' transactional behaviour across all business unit transactional systems. The ASAM system provides for customer segmentation and enhances customer due diligence on high risk customers. The project is due to be implemented in October 2009 but will have ongoing enhancements.



# Compliance

## Consumer Law

The focus on consumer protection continues into 2009 and the implementation and monitoring of compliance with the requirements of the Financial Advisory and Intermediary Services Act (FAIS) and the National Credit Act (NCA) is ongoing. Marking the introduction of broader and more comprehensive consumer rights is the Consumer Protection Act No. 68 of 2008 (CPA), which was signed into law in April 2009. The purpose of the CPA is to protect the interests of all consumers who are subject to abuse or exploitation in the market place and to give effect to internationally recognised best practice, while creating a strong culture of consumer rights and responsibilities. The Act is expected to be fully implemented by October 2010.

## Conflicts of interest

Potential conflicts of interest have been identified through workshops with the respective business areas. The potential conflicts identified have been mapped on a Conflicts Index Matrix, which includes an outline of general conflict types and the business areas between which the conflicts could occur. The mapping exercise additionally identified current mitigations and controls in place to manage the respective conflicts, as well as where enhanced controls are necessary.

This mapping exercise has been substantially completed for all business areas classified as having a high risk of exposure to conflicts of interest. The mapping for business areas identified as having a medium or low risk of exposure to conflicts of interest has been initiated, and is scheduled for completion by 31 March 2010.

All compliance policies that include mitigations and controls for conflicts of interest have been updated and aligned with international best practice.

A Market Conduct module has been added to the compliance induction training. The module focuses on practical identification and management of conflicts of interest including the conflicts inherent in gifts and entertainment, market abuse and personal account dealing.

## Risk based monitoring

The second phase of the project which involved the design and migration of a fully comprehensive risk based monitoring programme onto the Enterprise Risk Assessor software was completed successfully during the year. An annual reassessment programme is in progress for all the relevant acts loaded on the Enterprise Risk Assessor which involves re-evaluation of all the risks, controls, treatments and monitoring tests to ensure that these are still relevant.

## Australia – year in review

The main areas of regulatory focus were:

### Anti-Money Laundering/Counter Terrorism Financing Act 2006 (AML/CTF Act)

The AML/CTF Act has been implemented in stages, and includes obligations such as customer identification and verification, record-keeping, and the establishment and maintenance of an AML/CTF programme. Part A of the programme outlines the framework which we use to identify, mitigate and manage the risks which we may reasonably face should the provision of our products and services, whether inadvertently or otherwise, involve or facilitate money laundering or financing of terrorism.

Part B, encompasses our ongoing customer due diligence procedures and takes into account the risk profiles and types of clients we deal with.

This year has seen the final stage roll out of the anti-money laundering/counter terrorism financing procedures with the last of these obligations coming into effect on 12 December 2008. These obligations relate to reporting requirements and ongoing customer due diligence, which require reporting entities, such as Investec Australia and its subsidiaries, to monitor customers and their transactions on an ongoing basis.

## Licensing

During the period under review, we applied for a number of Australian Financial Services Licenses to cover the activities of the Investec Global Aircraft Fund (part of our Capital Markets business) and the Asset Management business in Australia.

# Corporate governance

## Introduction

We are committed to promoting sustainable stakeholder confidence in our conduct as a business and as a corporate citizen

While the board oversees the overall process and structure of corporate governance, each business area and every employee of the group is responsible for acting in accordance with sound corporate governance practices

In formulating our governance framework, we apply recognised corporate governance practices pragmatically so as to

- Identify and mitigate significant risks, including reputational risk
- Exercise effective review and monitoring of our activities
- Promote informed and sound decision making
- Enable effectiveness, efficiency, responsibility and accountability
- Enhance the capital markets and other stakeholders' perception of us
- Facilitate legal and regulatory compliance
- Secure trust and confidence of all stakeholders
- Protect our brand and reputation
- Ensure sustainable business practices, including social and environmental activities
- Disclose the necessary group information to enable all stakeholders to make a meaningful analysis of our financial position and actions
- Respond appropriately to changes in market conditions and the business environment
- Remain at the forefront of international corporate governance practices

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

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

We operate under a Dual Listed Companies (DLC) structure, and consider the corporate governance principles and regulations of both the UK and South Africa before adopting the stricter rule for the group

All international business units operate in accordance with the above determined corporate governance recommendations, in addition to those of their jurisdiction, but with clear reference at all times to group values and culture

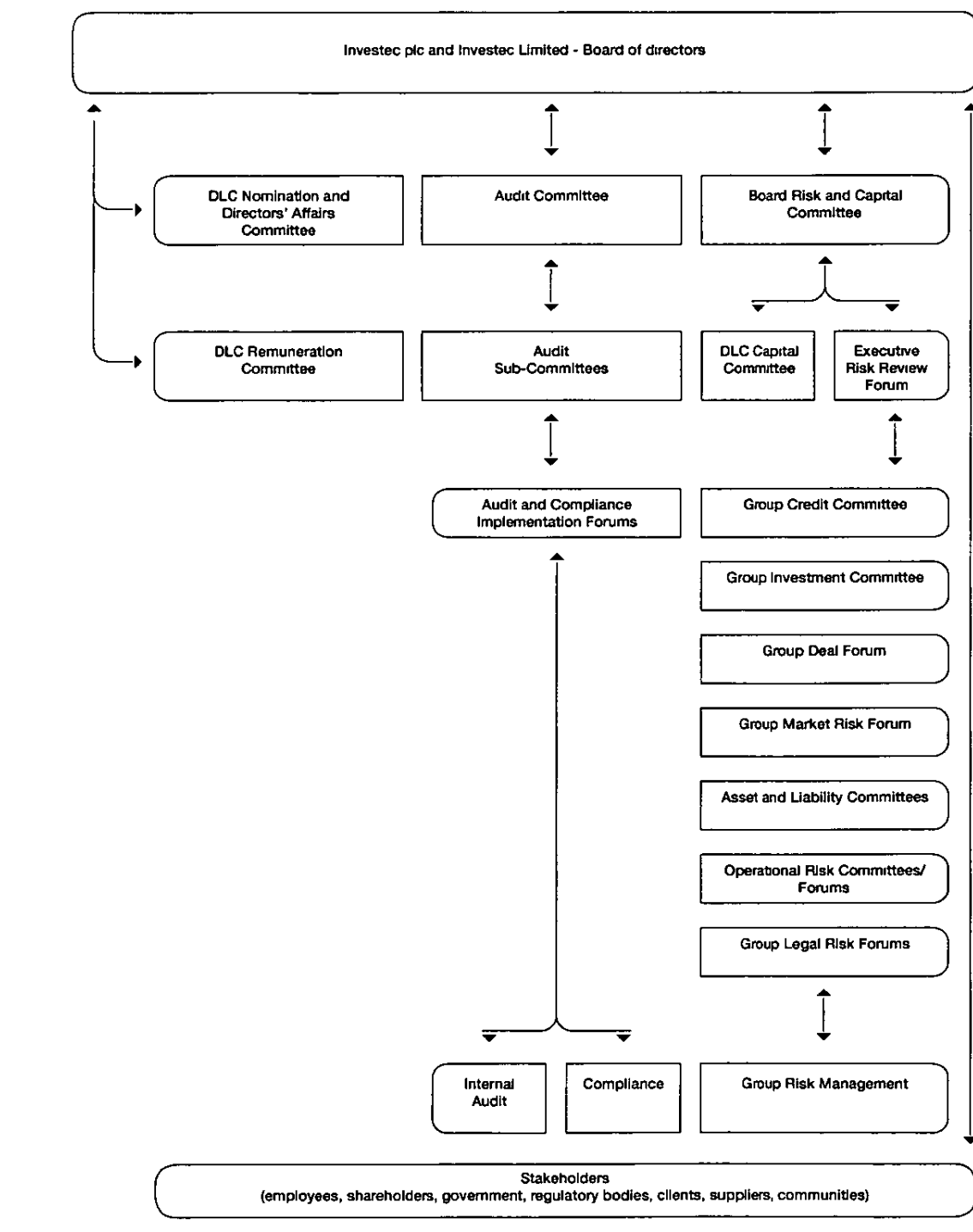


## Corporate governance

### Governance framework

Our governance framework can be depicted as follows

Risk and governance



## Corporate governance

### Board statement

The board, management and employees of Investec are in full support of and committed to complying with the Disclosure and Transparency Rules and Listing Rules of the United Kingdom Listing Authority (UKLA), the JSE Limited (JSE) Listings Requirements, regulatory requirements in the countries in which we operate, the London Combined Code (2006) and the King Code of Corporate Practices and Conduct (King II), whereby all stakeholders are assured that we are being managed ethically and in compliance with the latest legislation, regulations and best practices.

The board is of the opinion that Investec has complied with the Principles of Good Governance and Code of Best Practice contained in Section 1 of the London Combined Code (2006) as well as King II, during the period under review, excluding the independence of the Chairman, as outlined below.

#### London Combined Code A.3.1 and King II - Independence of the Chairman

The Chairman, Hugh Herman, is not considered to be independent. At the time of his appointment and up to 2005, his duties included promoting the group and introducing clients but excluded day-to-day executive decisions. His role was full time and he sat on certain management forums. He was also included in various management incentive and share ownership schemes. For these reasons, he is not considered by the board to be independent in accordance with the London Combined Code and King II. However, since 2005 Hugh has distanced himself from executive responsibilities.

The opinion of the board regarding compliance with the Principles of Good Governance and Best Practice and King II is based on the practices below which were in operation during the year under review.

### Financial reporting and going concern

The directors are responsible for monitoring and reviewing the preparation, integrity and reliability of the Investec plc and Investec Limited combined financial statements, accounting policies and the information contained in the Annual Report.

In undertaking this responsibility, the directors are supported by an ongoing process for identifying, evaluating and managing the significant risks we face in preparing the financial and other information contained in this Annual Report. This process was in place for the year under review and up to the date of approval of the Annual Report and financial statements. The process is implemented by management and independently monitored for effectiveness by the Audit, Risk and other sub-committees of the board, which are referred to below.

Our financial statements are prepared on a going concern basis, taking into consideration:

- The group's strategy and prevailing market conditions and business environment
- Corporate governance practices
- Accounting policies adopted
- The desire to provide relevant and clear disclosures
- The nature and complexity of our business
- The risks we assume, and their management and mitigation
- Key business and control processes in operation
- The operation of board committee support structures
- Operational soundness
- Our credit rating and access to capital
- The needs of all our stakeholders

The board is of the opinion, based on its knowledge of the group, key processes in operation and specific enquiries, that there are adequate resources to support the group as a going concern for the foreseeable future. Further information on our liquidity and capital position is provided on pages 134 to 143 and pages 150 to 161.

### Board of directors

#### Role and responsibilities

The board is accountable for the performance and affairs of Investec. It provides entrepreneurial leadership for the group within a framework of prudent and effective controls which allows risks to be assessed and managed. Specifically, it is responsible for the adoption of strategic plans, monitoring of operational performance and management, ensuring an effective risk management strategy, compliance with applicable legislation, upholding corporate governance standards and succession.

The board meets its objectives by reviewing and guiding corporate strategy, setting the group's values and standards, promoting the highest standards of corporate governance, approving key policies and objectives, ensuring that obligations to its shareholders and other stakeholders are understood and met, understanding the key risks we face, determining our risk tolerance and approving and reviewing the processes in operation to mitigate risk from materialising, including the approval of the terms of reference of key supporting board committees.





## Corporate governance

The board has defined the limits of delegated authority. It is responsible for assessing and managing risk policies and philosophies, ensuring appropriate internal controls, overseeing major capital expenditure, acquisitions and disposals, approving the establishment of businesses and approving the introduction of new products and services.

In fulfilling its responsibilities, the board is supported by management in implementing the plans and strategies approved by the board. The board monitors and evaluates management's progress on an ongoing basis.

Furthermore, directly or through its sub-committees, the board:

- Assesses the quantitative and qualitative aspects of our performance through a comprehensive system of financial and non-financial monitoring involving an annual budget process, detailed monthly reporting, regular review of forecasts and regular management strategic and operational updates
- Approves annual budgets, capital projections and business plans
- Monitors our compliance with relevant laws, regulations and codes of business practice
- Monitors our communication with all stakeholders and disclosures made
- Identifies and monitors key risk areas and key performance indicators
- Reviews processes and procedures to ensure the effectiveness of our internal systems of control
- Ensures we adopt sustainable business practices, including our social and environmental activities
- Evaluates the performance of senior management and considers succession planning

The board seeks to exercise leadership, integrity and judgement in pursuit of strategic goals and objectives, to achieve long-term sustainable growth and prosperity.

## Composition, structure and process

### Membership

In terms of the DLC arrangements, the boards of Investec plc and Investec Limited are identical and the Investec group is managed as a unified economic enterprise. At the end of the year under review, the board, excluding the Chairman, comprised four executive directors and eleven non-executive directors. As set out below, the board concluded that the majority (i.e. eight) of the non-executive directors are independent in terms of the London Combined Code and King II. Biographical details of the directors are set out on pages 219 to 222. The names of the directors, the year of their appointment, their independence status and whether they will retire and seek re-election at the 2009 Annual General Meeting, are set out in the table below.

|                                                 | Date of appointment<br>Investec<br>plc | Investec<br>Limited | Independent | Last<br>elected | Retiring<br>and seeking<br>re-election<br>in 2009 |
|-------------------------------------------------|----------------------------------------|---------------------|-------------|-----------------|---------------------------------------------------|
| <b>Executive directors</b>                      |                                        |                     |             |                 |                                                   |
| S Koseff (Chief Executive Officer)              | 26 Jun 02                              | 6 Oct 86            | No          | 2006            | Yes                                               |
| B Kantor (Managing Director)                    | 26 Jun 02                              | 8 Jun 87            | No          | 2008            | No                                                |
| GR Burger (Group Risk and Finance Director)     | 3 Jul 02                               | 3 Jul 02            | No          | 2007            | No                                                |
| A Tapnack                                       | 1 Jul 02                               | 1 Jul 02            | No          | 2007            | No                                                |
| <b>Non-executive directors</b>                  |                                        |                     |             |                 |                                                   |
| HS Herman (Chairman)                            | 26 Jun 02                              | 1 Jan 94            | No          | 2008            | Yes                                               |
| SE Abrahams                                     | 26 Jun 02                              | 21 Oct 96           | Yes         | 2008            | Yes                                               |
| GFO Alford                                      | 26 Jun 02                              | 26 Jun 02           | Yes         | 2007            | No                                                |
| CA Carolus                                      | 18 Mar 05                              | 18 Mar 05           | Yes         | 2008            | No                                                |
| H Fukuda OBE                                    | 21 Jul 03                              | 21 Jul 03           | Yes         | 2008            | No                                                |
| GMT Howe                                        | 21 Jul 03                              | 21 Jul 03           | Yes         | 2008            | No                                                |
| IR Kantor                                       | 26 Jun 02                              | 30 Jul 80           | No          | 2008            | Yes                                               |
| Sir Chips Keswick (Senior Independent Director) | 26 Jun 02                              | 26 Jun 02           | Yes         | 2008            | No                                                |
| MP Malungani                                    | 26 Jun 02                              | 26 Jun 02           | No          | 2008            | No                                                |
| Sir David Prosser                               | 23 Mar 06                              | 23 Mar 06           | Yes         | 2006            | Yes                                               |
| PRS Thomas                                      | 26 Jun 02                              | 29 Jun 81           | Yes         | 2008            | Yes                                               |
| F Titu                                          | 30 Jan 04                              | 30 Jan 04           | No          | 2007            | No                                                |

## Corporate governance

### Independence

In accordance with the London Combined Code, more than half the board (excluding the Chairman) comprised non-executive directors considered by the board to be independent within the meaning of and with regard to the criteria set out in the London Combined Code and King II

A summary of the factors the board uses to determine the independence of directors is detailed below

#### Chairman

The Chairman of the board is not considered to be independent as described in the board statement on page 171

#### Relationships and associations

Peter Malungani is the Chairman of Peu Group (Proprietary) Limited and Fani Titi was previously the Chairman of Tiso Group Limited. Both companies have a material relationship with Investec Limited as a result of the empowerment transaction concluded in 2003 in light of South Africa's Financial Sector Charter. Accordingly, the board concluded that Peter and Fani could not be considered independent under the London Combined Code and King II.

Ian Kantor is the brother of Bernard Kantor, Investec's Managing Director and a previous CEO of Investec. Accordingly, the board concluded that Ian could not be considered independent under the London Combined Code and King II.

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

#### Attendance at risk management meetings

Sam Abrahams and Peter Thomas regularly attend, by invitation, certain risk management committees of Investec Limited. The board considers their attendance at these committees to be desirable in terms of developing an understanding of the day-to-day issues facing the business. This further allows Sam to discharge his responsibilities more effectively as Chairman of the Investec plc and Investec Limited Audit Committees. The board therefore concluded that Sam and Peter retain independence of character and judgement.

#### Tenure

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

The board does not believe that any director, who has served for more than nine years, is not independent. In the spirit of complying with the highest standards of corporate governance, each such director stands for annual re-election.

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

### Skills, knowledge, experience and attributes of directors

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

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

The skills and experience profile of the board and its committees are reviewed regularly by the DLC Nominations and Directors' Affairs Committee, to ensure an appropriate and relevant composition from a governance, succession and effectiveness perspective.



## Corporate governance

### Board and directors' performance evaluation

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

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

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

The Chairman reports the results of these evaluations to the boards and matters identified during the course of the review are scheduled for appropriate action and later reviewed to ensure implementation.

### Terms of appointment

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

### Ongoing training and development

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

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

The Company Secretary liaises with the directors to source relevant seminars and conferences which directors attend, funded by Investec.

Following the board's and directors' performance evaluation process, any training needs are communicated to the Company Secretary who ensures that these needs are addressed.

### Independent advice

Through the Senior Independent Director or the Company Secretary, individual directors are entitled to seek professional independent advice on matters related to the exercise of their duties and responsibilities at the expense of Investec. No such advice was sought during the 2009 financial year.

### Remuneration

Details of the directors' remuneration and remuneration process are set out in the Remuneration Report on pages 189 to 205.

### Chairman and Chief Executive Officer

The respective responsibilities of the Chairman and Chief Executive Officer are set out in writing, are clearly defined and have board approval. The Chairman leads the board and is responsible for ensuring that the board receives accurate, timely and clear information to ensure that directors can perform their duties effectively.

Details of the Chairman's external directorships are set out on page 220. The board does not consider that the Chairman's external commitments interfere with his performance and responsibilities to Investec. The board is satisfied that the Chairman makes sufficient time available to serve Investec effectively.

The board has not appointed a Deputy Chairman.

## Corporate governance

### Senior Independent Director

Sir Chips Keswick was appointed Senior Independent Director on 7 July 2004. He is available to address any concerns or questions from shareholders and non-executive directors.

### Company Secretaries

David Miller is the Company Secretary of Investec plc and Benita Coetsee is the Company Secretary of Investec Limited. They are responsible for the flow of information to the board and its committees and for ensuring compliance with board procedures. All directors have access to the advice and services of the Company Secretaries whose appointment and removal are a board matter. Les Penfold is Global Head of Company Secretariat and coordinates and drives the secretarial functions and board governance.

### Board meetings

The combined boards of Investec plc and Investec Limited met six times during the year. Three board meetings were held in the UK and three in South Africa, in line with the requirements of our DLC structure. Furthermore, the boards of Investec plc and Investec Limited held one additional meeting each in the UK and South Africa respectively.

The Chairman is responsible for setting the agenda for each meeting in consultation with the Chief Executive Officer and the Company Secretaries. Comprehensive information packs on matters to be considered by the board are provided to directors in advance.

The non-executive directors met during the period under review in the absence of the executive directors.

Details of directors' attendance at board meetings are shown in the table below.

| Investec plc and Investec Limited board          | Number of meetings held during the year | Number of meetings attended during the year | Independent |
|--------------------------------------------------|-----------------------------------------|---------------------------------------------|-------------|
| <b>Executive directors</b>                       |                                         |                                             |             |
| S Koseff (Chief Executive Officer)               | 6                                       | 6                                           | -           |
| B Kantor (Managing Director)                     | 6                                       | 5                                           | -           |
| GR Burger (Group Risk and Finance Director)      | 6                                       | 6                                           | -           |
| A Tapnack                                        | 6                                       | 5                                           | -           |
| <b>Non-executive directors</b>                   |                                         |                                             |             |
| H Herman (Chairman)                              | 6                                       | 6                                           | -           |
| SE Abrahams                                      | 6                                       | 6                                           | Yes         |
| GFO Alford                                       | 6                                       | 5                                           | Yes         |
| CA Carolus                                       | 6                                       | 5                                           | Yes         |
| H Fukuda OBE                                     | 6                                       | 5                                           | Yes         |
| GMT Howe                                         | 6                                       | 5                                           | Yes         |
| IR Kantor                                        | 6                                       | 3                                           | -           |
| Sir Chips Keswick (Senior Independent Director)* | 6                                       | 1                                           | Yes         |
| MP Malungani                                     | 6                                       | 5                                           | -           |
| Sir David Prosser                                | 6                                       | 5                                           | Yes         |
| PRS Thomas                                       | 6                                       | 6                                           | Yes         |
| F Titi                                           | 6                                       | 6                                           | -           |

\* Sir Chips Keswick was excused from several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman.

### Re-election of board members

All directors are subject to re-election at the first Annual General Meeting following their appointment. Thereafter, in accordance with the Articles of Association of Investec plc and Investec Limited, at least one third of the directors will retire at each Annual General Meeting. In compliance with the London Combined Code A.7.2, non-executive directors who have served on the board for more than nine years from the date of their first election are re-elected annually. Retiring directors are subject to an assessment of their performance by the Chairman and the Nominations and Directors Affairs Committee before nomination for re-election and re-appointment. Biographical details of the directors standing for re-election at the 2009 Annual General Meeting are on pages 219 to 222.

# Corporate governance

## Board committees

The board is supported by key committees, as follows

- DLC Audit Committee
- Investec plc Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Investec Limited Audit Committee
  - Audit Sub-Committees
  - Audit and Compliance Implementation Forums
- Board Risk and Capital Committee
  - DLC Capital Committee
  - Executive Risk Review Forum
  - Various specialist risk committees and forums as described in the risk management section on pages 85 to 168
- DLC Nominations and Directors' Affairs Committee
- DLC Remuneration Committee

These committees have specific terms of reference, appropriately skilled members and access to specialist advice when necessary

## Audit Committees

In terms of our DLC structure, the board has mandated authority to the Investec plc Audit Committee and the Investec Limited Audit Committee to be the audit committees for those respective companies. A DLC Audit Committee has responsibility to the board for matters common to Investec plc and Investec Limited.

### Role and responsibilities

The responsibilities of the Audit Committees include

- Reviewing and making recommendations for the board's approval of our combined and individual company reports and financial statements and other published or released financial reporting documents or statements
- Reviewing the appropriateness of the combined group's and individual companies' accounting policies and their application
- Overseeing the external audit process in the review of reports and accounts
- Considering the external audit scope, fees and audit findings
- Reviewing internal audit plans, reports, capacity and capability, and the reliance by the external auditors on the work and findings of Internal Audit
- Reviewing non-audit services provided by the external auditors
- Focusing on our compliance with legal requirements, accounting standards and the relevant listing requirements
- Implementing measures to maintain effective systems of internal financial control and for reporting non-financial operating data

We believe the Audit Committees have the necessary expertise to discharge their responsibilities effectively. The committee's terms of reference are available on our website.

As required by the JSE Listings Requirement 3.4(h), the Audit Committee has satisfied itself that the Group Finance Director has appropriate expertise and experience.

The independence of the external auditors is reviewed with the auditors by the Audit Committees each year.

# Corporate governance

## Membership and attendance

Details of membership, relevant qualifications and experience, as well as attendance at Audit Committee meetings are shown below and on the next page

| DLC Audit Committee          | Number of meetings held during the year | Number of meetings attended during the year | Independent | Qualifications and experience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------|-----------------------------------------|---------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SE Abrahams (Chairman)       | 4                                       | 4                                           | Yes         | FCA CA (SA) - Sam is a former international partner and South African Managing Partner of Arthur Andersen BSc (Econ) FCIS FIPD MSI - George is a former Head of Private Banking and Personnel at Kleinwort Benson Group and was a senior advisor to the UK Financial Services Authority MA (Hons) - Geoffrey is a former Managing Partner at Clifford Chance LLP, Director and Group General Counsel of Robert Fleming Holdings Ltd and Chairman of Nationwide Building Society Sir Chips is a former Chairman of Hambros Bank Limited, Hambros PLC, former director of Anglo American plc and de Beers Board BSc (Hons) FIA - Sir David was previously Chief Executive of Legal & General Group PLC and was previously Chairman of the Financial Services Skills Council CA (SA) - Peter was the former Managing Director of The Unisec Group Limited |
| GFO Alford                   | 4                                       | 4                                           | Yes         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| GMT Howe                     | 4                                       | 4                                           | Yes         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Sir Chips Keswick*           | 4                                       | 2                                           | Yes         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Sir David Prosser            | 4                                       | 4                                           | Yes         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| PRS Thomas                   | 4                                       | 4                                           | Yes         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Investec plc Audit Committee | Number of meetings held during the year | Number of meetings attended during the year | Independent | Qualifications and experience                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| SE Abrahams (Chairman)       | 4                                       | 4                                           | Yes         | Refer as above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| GFO Alford                   | 4                                       | 4                                           | Yes         | Refer as above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| GMT Howe                     | 4                                       | 3                                           | Yes         | Refer as above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Sir Chips Keswick*           | 4                                       | 2                                           | Yes         | Refer as above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Sir David Prosser            | 4                                       | 4                                           | Yes         | Refer as above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| PRS Thomas                   | 4                                       | 4                                           | Yes         | Refer as above                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

\* Sir Chips Keswick was excused from several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman

## Corporate governance

| Investec Limited Audit Committee | Number of meetings held during the year | Number of meetings attended during the year | Independent | Qualifications and experience                                                 |
|----------------------------------|-----------------------------------------|---------------------------------------------|-------------|-------------------------------------------------------------------------------|
| SE Abrahams (Chairman)           | 4                                       | 4                                           | Yes         | Refer as above                                                                |
| GFO Alford                       | 4                                       | 4                                           | Yes         | Refer as above                                                                |
| RMW Dunne <sup>^</sup>           | 4                                       | 2                                           | Yes         | CA (SA) - Richard is a former partner and Chief Operating Officer of Deloitte |
| GMT Howe                         | 4                                       | 3                                           | Yes         | Refer as above                                                                |
| Sir Chips Keswick*               | 4                                       | 2                                           | Yes         | Refer as above                                                                |
| Sir David Prosser                | 4                                       | 4                                           | Yes         | Refer as above                                                                |
| PRS Thomas                       | 4                                       | 4                                           | Yes         | Refer as above                                                                |
| CB Tshili <sup>9</sup>           | 4                                       | 3                                           | -           | CA (SA) - Busi is Group Finance Director of Peu Group (Pty) Ltd               |

- \* Sir Chips Keswick was excused from several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman.
- <sup>9</sup> Busi Tshili is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on this committee.
- <sup>^</sup> Richard Dunne is a non-executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interest on the committee. Richard was appointed to the committee in June 2008 and attended two of the meetings since his appointment.

## Audit Sub-Committees

Audit Sub-Committees for Investec plc and Investec Limited and other regulated subsidiaries, have been established. These allow senior managers of the business units, who do not attend the main Investec plc and Investec Limited Audit Committee meetings, to meet with the risk and control functions and to provide input on the risk and control environment of the business units. Members of the Investec plc and Investec Limited Audit Committees are entitled to attend these meetings and, as a general rule, at least one non-executive member does so.

## Audit and Compliance Implementation Forums

Audit and Compliance Implementation Forums have been established for Investec plc and Investec Limited and their principal operating subsidiaries. Each Audit and Compliance Implementation Forum is attended by key executives and heads of risk and control functions. Non-executive directors have an open invitation to attend. These forums monitor and report on the implementation of recommendations and other matters that the relevant Audit Committee or Audit Sub-Committee consider important and facilitate the timely escalation, response and understanding of risk and control matters that require a response from management. The forums are key to enhancing risk and control consciousness and the associated control environment of the group. The forums support and provide important insight to the Audit Committees. Essentially, the forums act as a filter, enabling the Audit Committees to concentrate their efforts on matters of appropriate materiality.

## DLC Remuneration Committee

### Role and responsibilities

Details of the role and responsibilities of the Remuneration Committee are set out in the Remuneration Report on page 190.

### Membership and attendance

Details of membership and attendance at Remuneration Committee meetings are shown below.

| DLC Remuneration Committee | Number of meetings held during the year | Number of meetings attended during the year | Independent |
|----------------------------|-----------------------------------------|---------------------------------------------|-------------|
| GFO Alford (Chairman)      | 6                                       | 6                                           | Yes         |
| GMT Howe                   | 6                                       | 6                                           | Yes         |
| Sir Chips Keswick**        | 6                                       | 2                                           | Yes         |

Additional meetings are held throughout the year when necessary.

- \*\* Sir Chips Keswick was excused from several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman.

# Corporate governance

## DLC Nominations and Directors' Affairs Committee

The Nominations and Directors' Affairs Committee has combined the duties of a Nomination Committee and that of a Directors Affairs Committee as required under Section 64B of the South African Banks Act

### Role and responsibilities

The Nominations and Directors' Affairs Committee is responsible for, among other things

- Identifying and nominating the approval of board candidates to fill board vacancies as and when they arise
- Determining and evaluating the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the group
- Establishing and maintaining a board directorship continuity programme
- Regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the boards and board committees compared to their current positions and make recommendations to the boards regarding any changes
- The nomination of successors to the key positions in Investec Limited or Investec Bank Limited, its major subsidiary, in order to ensure that a management succession plan is in place

The committee's terms of reference are available on our website

### Membership and attendance

Details of attendance and membership are shown below

| DLC Nominations and Directors' Affairs Committee | Number of meetings held during the year | Number of meetings attended during the year | Independent |
|--------------------------------------------------|-----------------------------------------|---------------------------------------------|-------------|
| HS Herman (Chairman)                             | 3                                       | 3                                           | -           |
| SE Abrahams                                      | 3                                       | 3                                           | Yes         |
| Sir Chips Keswick*                               | 3                                       | 1                                           | Yes         |
| F Titi                                           | 3                                       | 2                                           | -           |
| PRS Thomas                                       | 3                                       | 3                                           | Yes         |

- \* Sir Chips Keswick was excused from several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman

## Board Risk and Capital Committee

The purpose of the Board Risk and Capital Committee is to determine, under delegated authority from (and as a sub-committee of) the board, the categories of risk, specific risks and the extent of such risks which the group on a consolidated basis, and its banks on a solo basis, should undertake, mitigation of risks and capital management

### Role and responsibilities

The committee will ensure that

- All decisions of the board on risk management policies and procedures are implemented and monitored throughout Investec
- The risk management structure is adequate, with sufficient resources and budget, and exceptions are reported to the board
- Exposure limits for market, counterparty and credit risk are ratified, liquidity and operational risk are also monitored
- There is an ongoing process of risk and control identification, particularly for any changes to business objectives and the bases of measuring risk
- There is sufficient capital in relation to existing and potential risks to the organisation

The Board Risk and Capital Committee defines the processes by which internal financial control, risk and capital management are assumed and monitored. The Group Risk Management division provides the expertise, processes and techniques from which the processes can be built and monitored daily

A number of committees are dedicated to aspects of risk management and report directly to the board and the Board Risk and Capital Committee. These include the Capital Committee, the Executive Risk Review Forum, Asset and Liability Committees, Group Credit Committees, Group Market Risk Forum, Group Deal Forum, Operational Risk Committees/Forums, Group Investment Committee and Group Legal Risk Forum

The committee's terms of reference are available on our website





## Corporate governance

### Membership and attendance

| Board Risk and Capital Committee            | Number of meetings held during the year | Number of meetings attended during the year | Independent |
|---------------------------------------------|-----------------------------------------|---------------------------------------------|-------------|
| S Koseff (Chairman)                         | 6                                       | 5                                           | -           |
| SE Abrahams                                 | 6                                       | 5                                           | Yes         |
| GFO Alford                                  | 6                                       | 5                                           | Yes         |
| GR Burger (Group Risk and Finance Director) | 6                                       | 5                                           | -           |
| GMT Howe                                    | 6                                       | 3                                           | Yes         |
| B Kantor (Managing Director)                | 6                                       | 6                                           | -           |
| Sir Chips Keswick*                          | 6                                       | 3                                           | Yes         |
| MP Malungani                                | 6                                       | 4                                           | -           |
| K Socikwa^                                  | 6                                       | 4                                           | Yes         |
| A Tapnack                                   | 6                                       | 5                                           | -           |
| PRS Thomas                                  | 6                                       | 6                                           | Yes         |
| F Titi                                      | 6                                       | 4                                           | -           |

\* Sir Chips Keswick was excused from several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman.

^ Karl Socikwa is a non executive director of Investec Bank Limited, a major subsidiary of Investec Limited, and represents its interests on this committee.

### Executive Risk Review Forum

The purpose of the Executive Risk Review Forum is to supplement the Board Risk and Capital Committee. It assists in determining the categories of risk, the specific risks and the extent of such risks which the group should undertake.

#### Role and responsibilities

The Executive Risk Review Forum will

- Evaluate the most significant risks we face in the ordinary course of business
- Ensure that limits are adhered to and that agreed recommendations to mitigate risk are implemented
- Act as agent of the board to ensure that all decisions of the board on risk management policies and procedures are implemented and monitored throughout the group
- Ensure the group-wide risk management structure is adequately resourced and has an appropriate budget
- Provide regular reports to the board focusing on effectiveness of the control framework
- Provide regular reports on group-wide adherence to regulatory requirements and advise on how changes to regulatory requirements will affect us
- Ensure that there is an ongoing process of risk and control identification, particularly in line with any changes to business objectives, such as the commencement of a new trading area or product stream

#### Membership

|                   |                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman          | S Koseff (Chief Executive Officer)                                                                                                                                                                                                                                                                                                                                                 |
| Membership        | <p><b>Executive directors</b></p> <p>GR Burger (Group Risk and Finance Director)</p> <p>B Kantor (Managing Director)</p> <p>A Tapnack</p> <p><b>Senior management</b></p> <p>B Fried</p> <p>C Daleski</p> <p>RJ Cowley</p> <p>PR Jacobson</p> <p>DM Lawrence</p> <p>B Tapnack</p> <p>M Trollip</p> <p>DM van der Walt</p> <p>RJ Wainwright</p> <p>JKC Whelan</p> <p>IR Wohlman</p> |
| Meeting frequency | Every Friday except on Board Risk and Capital Committee dates                                                                                                                                                                                                                                                                                                                      |

## Corporate governance

### DLC Capital Committee

The DLC Capital Committee is mandated by the Board Risk and Capital Committee to be the Capital Committee of Investec plc and Investec Limited and their subsidiaries, as regards capital allocation and structuring performance measurement, investment decisions and capital-based incentivisation

#### Role and responsibilities

The DLC Capital Committee is responsible for:

- Determining the DLC group's capital requirements
- Reviewing capital adequacy submissions to be made to regulators
- Considering the ongoing requirements and consequences of Basel II and other regulatory requirements and their impacts on regulatory capital requirements
- Considering, determining and approving capital issues relating to any corporate structuring for acquisitions
- Monitoring the capital positions and returns on internal capital of each business unit
- Submission of capital recommendations to the Board Risk and Capital Committee

#### Membership

|                   |                                                                                                                                                                                                                                                                                                                                                               |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Chairman          | S Koseff (Chief Executive Officer)                                                                                                                                                                                                                                                                                                                            |
| Membership        | <p><b>Non-executive directors</b><br/>SE Abrahams</p> <p><b>Executive directors</b><br/>GR Burger (Group Risk and Finance Director)<br/>B Kantor (Managing Director)<br/>A Tapnack</p> <p><b>Senior management</b><br/>SM Burgess<br/>B Fried<br/>RJ Jacobson<br/>LR Penfold<br/>N Samujh<br/>B Tapnack<br/>DM van der Walt<br/>JKC Whelan<br/>IR Wohlman</p> |
| Meeting frequency | At least quarterly                                                                                                                                                                                                                                                                                                                                            |

## Management and succession planning

Global business unit heads, geographic management and the heads of central and group service functions are appointed by executive management and are endorsed by the board, based on the skills and experience deemed necessary to perform the required function. In general, managers do not have fixed term employment contracts and there are no employment contracts with managers for a term of more than three years. Our management structure, reporting lines and the division of responsibilities are built around a geographic divisional and functional network, as depicted on page 37.

Each strategic business unit has an executive management committee and is responsible for taking and implementing operational decisions, managing risk and aligning divisional objectives with the group strategy and vision.

Matters of succession are considered regularly. Decision making is spread to encourage and develop an experienced pool of talent.

## Internal control

We have adopted the Turnbull guidance ("Internal Control: Guidance for Directors on the Combined Code" issued by the Institute of Chartered Accountants of England and Wales in 1999 and revised in 2005), and continued to embed these principles throughout the group during the year under review. Cognisance has also been taken of the King II requirements in South Africa.

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. The Board Risk and Capital Committee and Audit Committees assist the board in this regard. Sound risk management practices are promoted by the Group Risk Management function, which is independent of operational management. The board recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.



## Corporate governance

The overall system of internal control is designed to mitigate, not eliminate, significant risks we face and was in place for the year under review. It is recognised that such a system provides reasonable, but not absolute, assurance against material error, omission, misstatement or loss. This is achieved within the group through a combination of risk identification, evaluation and monitoring processes, appropriate decision and oversight forums, and assurance and control functions such as Group Risk Management, Internal Audit and Compliance. These ongoing processes were in place throughout the year under review.

Internal Audit reports any control recommendations to senior management, Group Risk Management and the relevant Audit Committee. Appropriate processes, including review by the Audit and Compliance Implementation Forums, ensure that timely corrective action is taken on matters raised by Internal Audit. Significant risks are reviewed regularly by the Executive Risk Review Forum and by the Board Risk and Capital Committee. Material incidents and losses and significant breaches of systems and controls are reported to the Board Risk and Capital Committee and the Audit Committees. Reports from the Audit Committees, Board Risk and Capital Committee and Risk and Control functions are reviewed at each board meeting.

## Internal financial controls

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that personnel are suitably qualified, that appropriate segregation exists between duties, and that there is suitable independent review. These areas are monitored by the board through the Audit Committees and are independently assessed by Internal Audit and Compliance.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken. Group Finance and Investor Relations coordinate review and comment on the monthly financial and regulatory reports, and facilitate the interim and annual financial reporting process, including the independent audit process.

The board considers that the group's systems of internal control are appropriately designed to:

- Provide reasonable, although not absolute, assurance of both the integrity and reliability of financial information
- Identify and appropriately mitigate significant risks
- Safeguard, verify and maintain accountability of assets
- Mitigate risk exposure to fraud and misappropriation
- Support business objectives and sustainability under normal and adverse operating conditions
- Ensure compliance with applicable laws and regulations

## Risk management

The board is responsible for the total process of risk management and the systems of internal control. A number of committees and forums assist in this regard. Senior management is responsible for identifying risks and implementing appropriate mitigation processes and controls within their businesses. The independent Group Risk Management functions, which are accountable to the board, are responsible for establishing, reviewing and monitoring the process of risk management. Group Risk Management reports regularly to the Board Risk and Capital Committee and the Executive Risk Review Forum.

Risk management is discussed in more detail on pages 85 to 168.

## Internal Audit

Each significant jurisdiction has an Internal Audit presence that is appropriate for the size, nature and extent of business conducted. Smaller geographies are supported by the Internal Audit teams of the Investec plc and Investec Limited groups.

A risk based audit approach is followed and the Audit Committee approves annual audit plans.

Heads of Internal Audit report to the Chairmen of the relevant Audit Committees and to the Head of Corporate Governance and Compliance.

For further details on the Internal Audit function, see page 165.

## External audit

Our external auditors are Ernst & Young LLP and Ernst & Young Inc. The independence of the external auditors is reviewed with the auditors by the Audit Committees each year.

The Audit Committees meet with the external auditors to review the scope of the external audit, budgets, the extent of non-audit services rendered and any other audit matters.

The external auditors are invited to attend Audit Committee meetings and have access to the Chairman of each Audit Committee. Recommendations on the rotation of auditors, as laid out in the UK Auditing Practices Board Ethical Standard 3 as well as Directive 6/2008 of the South African Banks Act, were adhered to during the period under review.

## Corporate governance

Non-audit services are dealt with in terms of an agreed policy which states that

- External audit firms will have internal standards and processes to monitor and maintain their independence and these must be presented to the Audit Committees on an annual basis. These will be considered based on the explicit exclusions contained in existing rules and guidelines
- Safeguards must be in place to ensure that there is no threat to the objectivity and independence in the conduct of the audit, resulting from the provision of non-audit services by the external auditors

Total audit fees paid to all auditors for the year £7.0 million (2008: £7.1 million), of which £1.2 million (2008: £1.4 million) related to the provision of non-audit services

## Compliance

The Compliance function ensures that we continuously comply with existing and emerging regulation impacting on our operations. We recognise our responsibility to conduct business in accordance with the laws and regulations in the countries and areas in which we operate. The Compliance function is supported by Group Compliance and compliance officers in the business units. For further details on the Compliance function, see pages 166 to 168.

## Regulation and supervision

We are subject to external regulation and supervision by various supervisory authorities in each of the jurisdictions in which we operate, the main ones being the Banking Supervision Department (BSD) of the South African Reserve Bank (SARB), the UK Financial Services Authority (FSA) and the Australian Prudential Regulatory Authority (APRA). Some of our businesses are subject to supervision by the South African Financial Services Board, South African National Credit Regulator and the South African Financial Intelligence Centre.

The SARB Banking Supervision Department is the lead supervisor of the combined Investec group, comprising Investec plc and Investec Limited. SARB is the supervisor of Investec Limited, while the FSA is the supervisor of Investec plc. We strive to establish and maintain open and active dialogue with regulators and supervisors. Processes are in place to respond proactively and pragmatically to emerging issues and we report to regulators and supervisory bodies regularly. Where appropriate, we participate in industry committees and discussion groups to maintain and enhance the regulatory environment in which we operate.

## Communication, public disclosure obligations and stakeholder relations

The board recognises that effective communication is integral in building stakeholder value and is committed to providing meaningful, transparent, timely and accurate financial and non-financial information to primary stakeholders, as defined below. The purpose is to help these stakeholders make meaningful assessments and informed investment decisions about the group.

We endeavour to present a balanced and understandable assessment of our position by addressing material matters of significant interest and concern. We seek to highlight the key risks to which we consider ourselves exposed and our responses to minimise the impact of these risks. Another objective is to show a balance between the positive and negative aspects of our activities in order to achieve a comprehensive and fair account of our performance.

Our primary stakeholders include employees, shareholders, government, regulatory bodies, clients, depositors, suppliers, rating agencies, the media, communities and industry equity and debt analysts. The board appreciates the importance of ensuring an appropriate balance in meeting the diverse needs and expectations of all our stakeholders and building lasting relationships with them. As a requirement of our DLC structure, we comply with the disclosure obligations contained in the applicable listing rules of the UKLA and JSE and other exchanges on which our shares are listed and with any public disclosure obligations as required by the FSA and SARB. We also recognise that from time to time we may be required to adhere to public disclosure obligations in other countries where we have operations, for example Australia. The board is committed to adopting the better and/or stricter of the existing governance and regulatory standards between the UK and South Africa.

The Investor Relations' division has day-to-day responsibility for ensuring appropriate communication with stakeholders and, together with the Company Secretarial division, ensures that we meet our public disclosure obligations.

We have a board approved policy statement in place to ensure that we comply with all relevant public disclosure obligations and uphold the board's communication and disclosure philosophy.

The processes we have adopted to ensure that we comply with all public disclosure obligations are set out below:

- Significant announcements are released directly to the market primarily via the services offered by the London and Johannesburg stock exchanges, and also via the services offered by the other exchanges where our shares are listed. In terms of our DLC structure, announcements are released almost simultaneously on all exchanges, thereby ensuring fair treatment of all stakeholders. Copies of these announcements are placed on the Investec website as soon as possible following confirmation of release on the relevant exchanges, but within 24 hours at the latest, and are kept on the website for several years.
- We maintain a comprehensive investor relations website, which ensures that all stakeholders readily have access to historical and current information.



## Corporate governance

- We host at least four investor presentations a year – two before we enter a closed period and on the day we release interim and year end results. Investor presentations are broadcast live via video conference from our offices in the UK and South Africa. In addition, we also publish two interim management statements (i.e. quarterly updates) as required in terms of the UKLA Listing Rules. Stakeholders are notified of these events via the stock exchange news or regulatory information services and are welcome to attend and engage with executive and non-executive directors. Stakeholders also have the option of using a live telephone conference facility or accessing the audio webcasts of the presentation via our website. Occasionally, we are invited to attend external third party investor conferences at which we present our financial and operational performance.
- Regular contact is maintained with major stakeholders through a comprehensive investor relations programme, which includes meetings with executive management, investor road shows and presentations to the investment community, communication by email, regular telephone conferences and liaison with private shareholders in response to their enquiries. The Investor Relations division reports back regularly to the operating divisions, the group executive and the board on matters and concerns raised by stakeholders. Copies of analyst, rating agency and other relevant reports are also circulated to the board.
- Our communication policy focuses on ensuring that all employees worldwide are informed of business developments and activities. In this regard a number of channels are used, including our quarterly magazine (Impact), comprehensive intranet sites and staff updates hosted by the executive.
- All shareholders are encouraged to attend the Annual General Meeting and to raise issues and participate in discussions on items included in the notice of the meeting. The meeting enables the board to communicate with shareholders and for shareholders to ask questions in person. The Chairmen of the Audit, Remuneration and Nomination and Directors Affairs Committees, as well as the Senior Independent Director, attend the meeting to respond to relevant questions. All valid proxy appointments are recorded and counted and, at general meetings, a schedule of the proxy votes cast is available to all shareholders. We propose a separate resolution on each substantially separate issue and do not bundle resolutions together inappropriately. All resolutions are determined on a poll. Shareholders are requested to approve our report and accounts and our remuneration report. The outcome of the voting on the items of business are released on the stock exchange news services or regulatory information and posted on our website after the meeting.

During the year, the Chief Executive Officer, the group Managing Director and other members of executive management continued to meet with shareholders in the UK, Europe, the USA and South Africa to understand their issues and concerns and discuss matters relating to our activities and performance. No new material or price sensitive information is provided at such meetings. Non-executive directors and the Senior Independent Director are available and will attend meetings if requested and, as mentioned above, feedback on any issues or concerns raised by investors is provided to the board.

The Chairman and the non-executive directors are committed to communicating with shareholder bodies, to help develop a balanced understanding of their issues and concerns. We will continue to engage these bodies so as to remain informed of emerging governance issues.

## Dealings in securities

Dealings in securities are subject to the Personal Account Dealing Policy that has been in operation for a number of years. The policy is based on regulatory guidance and industry practice and is updated to ensure compliance with applicable regulations and industry good practice.

The policy is designed to discourage speculative trading and highlights the potential conflicts of interest between the interests of employees and the Investec group or any of its clients – shareholders or potential shareholders.

The UK's Disclosure and Transparency Rules requires us to disclose transactions in shares and related securities by all persons discharging management responsibilities and their 'connected persons'. These include directors and senior executives of the group.

The UK and SA Companies Acts require directors to disclose any direct or indirect material interest they have in contracts, including proposed contracts, which are of significance to the company's business. Directors are required to make these disclosures at board meetings, and all disclosures made are recorded in the minutes of that meeting.

## Directors' dealings

The Remuneration Report, as set out on pages 189 to 205, contains details of Investec shares held by directors. Directors' dealings in the securities of Investec plc and Investec Limited are subject to a policy based on regulatory requirements and governance best practice.

All directors' dealings require the prior approval of the Compliance division and the Chairman or, in the Chairman's absence, Sam Abrahams or Sir Chips Keswick. All dealings of persons discharging management responsibilities require approval by line management, the Compliance division and the Chairman.

## Corporate governance

### Values and code of conduct

We have a strong organisational culture of entrenched values, which forms the cornerstone of our behaviour towards all stakeholders. These values are embodied in a written Statement of Values, which serves as our Code of Ethics, and is continually reinforced.

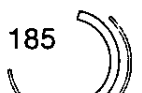
We view all employees as the custodians of ethical behaviour, which is reinforced through internal processes, policies and procedures. As such, all new employees are invited and are strongly encouraged to attend an induction process at which our philosophies, values, culture, risk management and compliance procedures are explained and discussed.

Our Organisation Development team plays an important role in facilitating the understanding and ongoing practice of our values, philosophies and culture. In addition to our values, acceptable business practices are communicated through the Human Resources practices manual, which is available on our intranet.

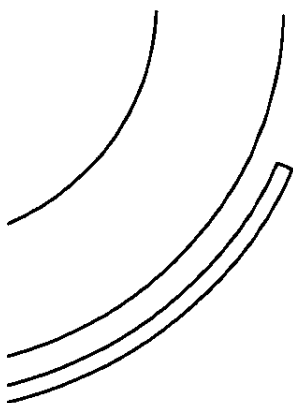
We continually strive to conduct our business with uncompromising integrity and fairness, so as to promote trust and confidence in the banking industry.

### Sustainable business practices

We have an acute awareness of the need for longevity and durability, across all our businesses, and an ingrained understanding of the practices that underpin sustainability. Our triple bottom line approach is documented on pages 209 to 211 and further detail can be found on our website.



RE-SCAN

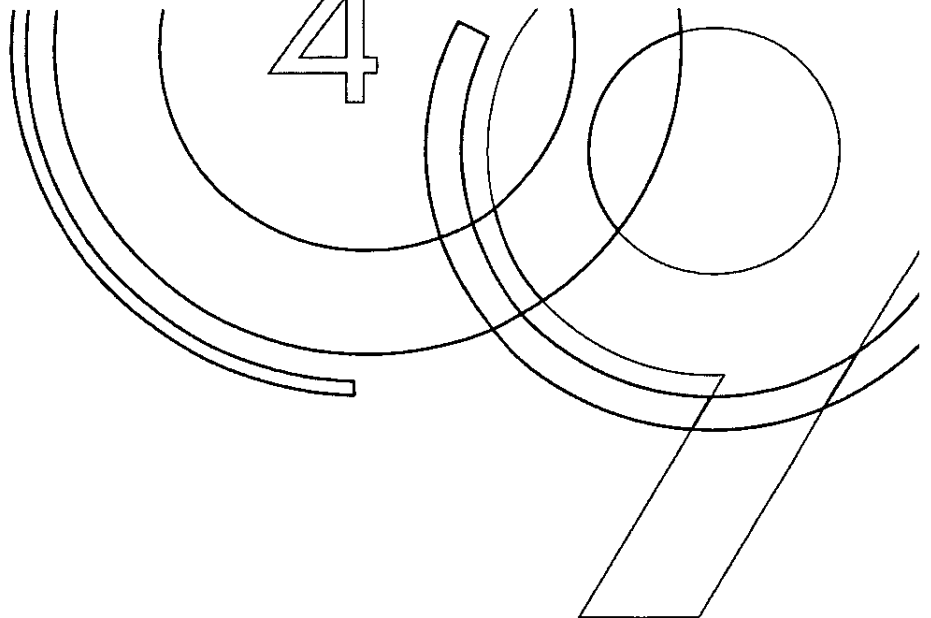


RE-SCAN

RE-SCAN

Remuneration Report

4





# Remuneration Report

## Statement from the Chairman of the Board Remuneration Committee - an overview

The remuneration report was prepared by the Remuneration Committee and approved by the board

The board believes that a properly constituted and effective remuneration committee is key to improving the link between directors' pay and performance, with the ultimate aim of enhancing our competitiveness. The primary purpose of the committee is to determine our policy on the remuneration of executive directors and the remuneration package for each executive director. The committee consists entirely of non executive directors, and executive directors are not involved in determining their own remuneration packages.

This report describes our remuneration policy and directors' remuneration for the 2009 financial year. Our overall remuneration philosophy remains unchanged from prior years, however, certain aspects with respect to the components of our reward programmes have been reviewed and amended.

During the period, in addition to its regular business, the committee focused specifically on

- The continued appropriateness of our long standing reward programmes given volatile market conditions
- The introduction of a non-cash deferred component of our variable remuneration payments (see page 194)
- Industry commentary and developments with respect to remuneration practices, notably
  - the Financial Services Authority (FSA) 'Reforming remuneration practices in financial services' consultation paper of March 2009
  - the South African Registrar of Banks' circular 2/2008 and their review of incentive schemes operated by South African based banks
- Talent management and the retention of senior management and executives

Key points to note for the period under review include

- Investec has continued to operate its diversified business model which has enabled it to navigate through the present challenging operating environment. Core capital and liquidity ratios remain sound and the group has reported attributable earnings of £269.2 million (2008: £344.7 million). The group has increased the upper end of its dividend cover range and its capital adequacy targets. Further information on our risk management indicators, policies and procedures and the group's performance can be found on page 201.
- Total employee costs decreased from £552.2 million to £520.2 million with fixed costs increasing by 8.6% to £375.3 million and variable remuneration decreasing by 29.9% to £144.8 million.
- £34.2 million of the current year's variable remuneration has been paid in the form of share awards and deferred (representing 23.6% of our variable remuneration expense for the year).
- Executive directors have received no salary increases for the 2010 financial year and bonuses have decreased by 51.7%.
- Non-executive directors will receive no increases in fee arrangements for the 2010 financial year.
- Our rewards programmes continue to be appropriately adjusted for risk and unrealised profits.
- We further believe that our reward programmes align directors' and employees' interests with those of our other stakeholders.
- Our total shareholder return was negative 7.5% for Investec plc in Pounds Sterling and negative 26.6% for Investec Limited in Rands. This compares to a negative return of 45.8% for the FTSE 350 General Finance Index. The group has decreased its dividend return by 12.2% in Pounds Sterling and 2.8% in Rands over the year. We have also experienced a decline in our share price as a result of the global credit and liquidity crisis. This decline is not out of line with the fall in share prices of other UK universal and global investment banks. Since listing on the London Stock Exchange in 2002, Investec plc has outperformed the FTSE 350 General Finance Index (see graph on page 198).
- Executive directors hold 1.6% and 3.2% of the issued share capital of Investec plc and Investec Limited respectively. Non-executive directors hold 0.7% and 4.0% of the issued share capital of Investec plc and Investec Limited, respectively (see table on page 201).
- Investec plc issued 1.6 million ordinary shares and Investec Limited issued 2.3 million ordinary shares to the staff share schemes during the year.

## Looking forward

The Remuneration Committee will continue to ensure that reward packages remain appropriately competitive, provide an incentive for performance, and take due regard of our culture, values, philosophies, business strategy and risk management and capital framework. The committee will keep the existing remuneration arrangements, as discussed in this report, under review during the 2010 financial year, particularly taking cognisance of regulatory and market driven remuneration reform proposals. Where appropriate, we will continue to consult shareholders and shareholder bodies on any significant proposed changes in remuneration policy.

The committee unanimously recommends that you vote to approve this report at the 2009 Annual General Meeting.

Signed on behalf of the board

George Alford  
Chairman, Remuneration Committee

15 June 2009



# Remuneration Report

## Compliance and governance statement

The Remuneration Report complies with the provisions of the 2006 London Combined Code, Schedule 7A of the UK Companies Act 1985, the UK Financial Services Authority Listing Rules, the South African King II "Code of Corporate Practice and Conduct" and the JSE Limited Listing Rules. Additional information has also been included to reflect the most common enquiries received and to address some of the issues raised in the various public debates that are currently ongoing with respect to remuneration practices.

Furthermore, the auditors are of the opinion that the auditable part of this report on pages 199 to 205 was properly prepared, in accordance with Schedule 7A of the UK Companies Act 1985.

## Composition and role of the committee

The members of the Remuneration Committee throughout the year were George Alford (Chairman), Geoffrey Howe and Sir Chips Keswick. The members are all independent non-executive directors and are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. All the members are also members of the group's Board Risk and Capital Committee and the Audit Committee (as discussed on page 176 and 179), thus bringing risk and control mechanisms into their deliberations. The committee's principal responsibilities and objectives are to:

- Determine, develop and agree with the board, the framework or broad policy for the remuneration of executive directors and executive management (comprising individuals discharging managerial responsibilities who are the global heads of our core areas of activity and are members of our global operations forum)
- Ensure that qualified and experienced management and executives will be provided with appropriate incentives to encourage enhanced performance and will be, in a fair and responsible manner, rewarded for their contribution to the success of the group and alignment with the corporate objectives and business strategy
- Review and approve the design of and determine targets and objectives for any performance related pay schemes for directors and executive management and approve annual payouts under such schemes
- Determine, within the terms of the agreed policy, the total individual remuneration packages of executive directors and executive management including, where appropriate, bonuses, incentive payments and share scheme awards
- Oversee any major changes in our employee benefit structures
- Ensure that the comments, recommendations and rules within the UK and South Africa pertaining to directors' remuneration are given due regard, in determining the packages of executive directors. The committee is authorised by the board to seek any information it requires from any employee in order to perform its duties

The committee's terms of reference are available on our website.

## Meetings

The committee met six times during the financial year with full attendance other than for four meetings which Sir Chips Keswick was unable to attend, having been excused from attending several board meetings and board committee meetings between 1 April 2008 and 31 March 2009 due to health reasons. However, his views and advice were obtained where considered necessary by the Chairman. The Company Secretary of Investec plc acts as Secretary to the committee. Executive directors do not attend these meetings. The Chairman of the committee reports on the activities of the committee at each meeting of the full board.

## Advisers to the committee

Where appropriate, the committee has access to independent executive remuneration consultants. The selection of the advisers is at the discretion of the committee. Chairman and Investec funds any expenses relating to the appointment of external consultants.

During the financial year, the committee continued to use the services of its advisers, Hewitt New Bridge Street which, among other things, specifically reviewed and provided information on industry consultation papers and developments with respect to remuneration practices and our alignment to them. In addition, they continued to review and provide information on appropriate benchmark, industry and comparable organisations' remuneration practices. Their recommendations are important in the ongoing review of our remuneration practices.

Furthermore, we have used the services of Linklaters, which have advised this year mainly on a number of issues pertaining to our incentive plans. Linklaters is one of Investec plc's legal advisers.

Certain specialist divisions within the group, for example Human Resources and the Staff Shares division, provide supporting information and documentation relating to matters that are presented to the committee. This includes, for example, comparative data and motivations for proposed salary, bonus and share awards. The variable remuneration pools are determined by our Finance teams taking into account risk adjusted capital requirements and after eliminating unrealised gains. The employees within these specialist divisions, which provide support to the committee, are not board directors and are not appointed by the committee.

# Remuneration Report

The committee, together with the board, attends a strategic offsite at the beginning of each year at which senior executive employees provide information and presentations on the group's strategic direction, prospects, key focus areas and annual budget

While executive directors have the right to address any meeting of the committee, they play no role in the determination of their remuneration package. During the financial year no executive director attended any meeting of the Remuneration Committee. Furthermore, no employee participates in discussions or decisions of the committee relating to their own remuneration.

## Policy on executive directors' and employees' remuneration

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

We reward executive directors and employees for their contribution through payment of an industry competitive annual package, a variable performance reward and ownership in the form of share incentive scheme participation. Overall rewards are considered as important as our core values of work content (greater responsibility, variety of work and high level of challenge) and work affiliation (entrepreneurial feel to the company and unique culture) in the attraction, retention and motivation of employees.

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

The type of people the organisation attracts and the culture and environment within which they work, remain crucial in determining our success and long-term progress.

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

- Reward programmes are designed and administered to align directors' and employees' interests with those of stakeholders, thus ensuring the promotion of effective risk management.
- Reward programmes incorporate a pool mechanism that incorporates risk factors as discussed on page 193.
- Reward programmes are clear and transparent, in order to retain individual interest in, and identification with, our short and long-term success.
- Total rewards comprise a fixed and variable component.
- Total compensation (base salary, pension, benefits and incentives) is targeted in normal market conditions to the relevant competitive market (see below) at upper quartile levels for superior performance.
- A significant proportion of rewards, including annual and long-term incentive components, are explicitly linked to the performance of the business and the individual business units. We recognise the performance of the business and the individual. As indicated above, qualitative and quantitative issues form an integral part of the determination of reward levels.
- We do not apply an upper limit on performance bonuses given our risk based Economic Value Added approach (discussed further on page 193) and prefer to contain the fixed cost component of remuneration at modest levels.
- Reward levels are targeted to be commercially competitive on the following basis:
  - The most relevant competitive reference points for reward levels are based on the scope of responsibility and individual contributions made.
  - Appropriate benchmark, industry and comparable organisations' remuneration practices are reviewed regularly.
    - ∞ For executive directors, the FTSE 350 General Finance firms provide the most appropriate benchmark.
    - ∞ For employees, a combination of firms from the JSE Financial 15 and the FTSE 350 General Finance sector offer the most appropriate benchmark.
    - ∞ The committee also reviews on an individual basis data on other international banks with whom we compete.
    - ∞ The committee recognises that we operate an international business and compete with both local and international competitors in each of our markets.
    - ∞ In order to avoid disproportionate packages across areas of the group and between executives, adjustments are made at any extremes to ensure broad internal consistency. Adjustments may also be made to the competitive positioning of pay components for individuals, in cases where a higher level of investment is needed in order to build or grow either a business unit or our capability in a geography.



# Remuneration Report

## Policy on non-executive directors' remuneration

The board agrees and determines the fees of non-executive directors and the fees are reviewed annually. The board's policy is that fees should reflect individual responsibilities and membership of board committees. In view of the current market conditions and the focus on controlling fixed remuneration, it was decided that the non-executive directors will receive no increase in their fees in the forthcoming year. Their fee structure covers the dual roles that the directors perform for the UK listed Investec plc and the South African listed Investec Limited boards. The fee structure for non-executive directors for the 2009 and 2010 financial years is shown below.

| Non-executive directors' remuneration                                                                               | 2009 financial year | As approved by the board for the 2010 financial year |
|---------------------------------------------------------------------------------------------------------------------|---------------------|------------------------------------------------------|
| Chairman's total fee                                                                                                | £360 000 per year   | £360 000 per year                                    |
| Basic fee non-executive director fee                                                                                | £53 000 per year    | £53 000 per year                                     |
| Chairman of the DLC Audit Committee                                                                                 | £45 000 per year    | £45 000 per year                                     |
| Chairman of the DLC Remuneration Committee                                                                          | £32 000 per year    | £32 000 per year                                     |
| Member of the DLC Audit Committee                                                                                   | £13 000 per year    | £13 000 per year                                     |
| Member of the DLC Remuneration Committee                                                                            | £12 500 per year    | £12 500 per year                                     |
| Member of Investec Bank (UK) Limited board                                                                          | £9 000 per year     | £9 000 per year                                      |
| Member of the Investec Bank Limited board                                                                           | R150 000 per year   | R150 000 per year                                    |
| Fees are also payable for any additional time committed to the group including attendance at certain other meetings |                     |                                                      |

There is no requirement for non-executive directors to hold shares in the company. The company has left this choice to the discretion of each non-executive director.

## Service contracts and terms of employment

Our executive directors have indefinite contracts of employment terminable by either party giving six months' written notice to the other. Each executive director is entitled to receive a basic salary and is also eligible for an annual bonus, the amount of which will be determined at the discretion of the Remuneration Committee. Furthermore, the executive directors may elect to sacrifice a portion of their annual salary to receive company benefits such as a travel allowance and medical aid. The full costs of these benefits will be deducted from their annual salary. The contracts of employment do not contain provisions for compensation payable on early termination.

Executive directors are permitted to accept outside appointments on external boards or committees so long as these are not deemed to interfere with the business of the Company. Any fees earned by executives in this regard are not retained and are given back to the respective companies.

Non-executive directors do not have service contracts and letters of appointment confirm the terms and conditions of their service. The letters of appointment do not contain provisions for compensation payable on early termination. Unless the non-executive directors resign earlier or are removed from their positions, they will remain appointed as directors until the close of our annual general meeting in 2010 (subject to rotational re-election as directors at the 2009 meeting and in terms of the provision of the Articles of Association). All non-executive directors who have been members of the board for longer than nine years are subject to annual re-election as required in terms of our Articles of Association. Those directors seeking rotational re-election at the 2009 Annual General Meeting are shown on page 172.

## Biographical details of the directors of the board

These details can be found on pages 219 to 222.

## Dates of appointment to the board

The boards of Investec plc and Investec Limited are separate and subject to separate legal obligations for each company. In terms of the DLC arrangements, they comprise the same persons who are authorised, as boards, to manage Investec as if it were a unified economic enterprise. Details on the dates the directors were appointed to the board can be found on page 172.

## Policies on the components of remuneration and employment

The reward package for executive directors and employees comprises:

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

# Remuneration Report

The committee reviews the elements of the reward package relative to appropriate benchmarks and other comparable organisations the contribution by the individual and the business as a whole, the value of individuals in perpetuating our values and culture, and the possible replacement cost of such individuals

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

As a consequence of the global financial markets crisis and the resultant debate and review surrounding remuneration policies and procedures the committee has made a few changes to the components of our reward programmes

## Base salary and benefits

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

Benefits are targeted at competitive levels and are delivered through flexible and tailored packages. Benefits include pension schemes, life, disability and personal accident insurance, medical cover, and other benefits, as dictated by competitive local market practices. Only salaries are pensionable, the annual bonuses paid are not pensionable. Our disclosure of executive directors' salaries on page 199 has been done on a gross basis (i.e. inclusive of pension fund contributions from the company)

## Annual bonus

Annual bonuses are closely linked to business performance, based on target business unit performance goals determined in the main by realised Economic Value Added (EVA) profit performance against pre-determined targets above a risk and capital weighted return. These targets have been in force, and unchanged, for the past few years and are subject to annual review.

Our business strategy and associated risk appetite, together with effective capital utilisation, form the key cornerstones which underpin the EVA annual bonus allocation model. This model has been consistently applied for in excess of ten years. Business units share in the annual bonus pool to the extent that they have generated a realised return on their allocated risk adjusted capital base in excess of their target ROE. Targeted returns reflect the competitive economics and shareholder expectation for the specific area of the business, and are set with reference to competitive benchmarks for each product line. Capital allocated is a function of both regulatory and internal capital requirements, the risk assumed within the business and our overall business strategy. The group has always held capital in excess of minimum regulatory requirements, and this philosophy is perpetuated in our internal capital allocation process. A detailed explanation of our capital management and allocation process is provided on pages 150 to 154. Growth in profitability over time will result in an increasing incentive pool as long as it is not achieved at the expense of capital efficiency. Target returns must be reflective of the inherent risk assumed in the business. Thus, an increase in absolute profitability does not automatically result in an increase in the annual bonus pool. This approach allows us to embed risk and capital discipline in our business processes.

In essence varying levels of return required for each business unit reflect the state of market maturity, country of operation, risk capital invested (capital intensive businesses) or expected expense base (fee based businesses).

Individual annual incentive levels are allocated from the EVA pool based on individual performance, as determined by the committee. Furthermore, as discussed previously, qualitative issues are integral in the determination of annual bonuses.

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

## Developments over the past year

During the financial year the group implemented two changes with respect to annual bonus payments, which are highlighted here and explained in more detail below:

- The introduction of a deferred bonus plan, and
- The introduction of non-cash bonuses

### Investec Limited Deferred Bonus Plan 2008 and Investec plc Deferred Bonus Plan 2008

In April 2008, the group introduced a deferred bonus scheme whereby a portion of an employee's variable remuneration can be awarded in the form of deferred bonus shares. The first awards were made as part of the June 2008 bonus payments. These share awards provided for a two-year deferral but the Bonus Plan allows for deferral of between one to five years. It is the condition of the plan that the employee is still employed by the group on vesting date in order to benefit under this plan. Participants have no rights in respect of these shares, including the right to dividends, until the vesting date occurs.



# Remuneration Report

## EVA share awards (non-cash bonuses)

During the current year the group further refined its performance bonus policies by introducing a non-cash element (in the form of forfeitable share awards) for all employees whose bonuses exceed a pre-determined hurdle rate (the amount of which will be reviewed each year) and by introducing a more formal deferral requirement, initially over an eleven-month period. These awards will be made in terms of our existing long term incentive plans.

These changes are in addition to the introduction in 2008 of a deferred bonus plan and further align directors' and employees' interests with those of stakeholders, and ensure that reward programmes are appropriately risk-adjusted.

## Share option and long-term share incentive plans

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

Prior to the implementation of our DLC structure and our listing on the London Stock Exchange in July 2002, we had a number of share option, share purchase and leveraged share schemes in place that were appropriate for a South African listed company. However, at the time of the London listing it was necessary for us to consider implementing a more internationally recognised share scheme structure and philosophy. As a result, a number of share option plans were introduced to cater for regulatory tax and other considerations pertaining to the various jurisdictions in which we operated. At the same time, however, a decision was taken to maintain the schemes that were in place prior to the London listing until the allocations made in terms of those schemes matured. While this gives rise to what appears to be a multitude of schemes, the philosophy and practical implications are fairly simple – the appropriate level of equity allocation is determined for each employee and then awards are made out of the scheme that is considered most appropriate for that individual given his/her location, tax and regulatory environment.

The share option and long term share incentive plans in operation, and in which the directors are eligible to participate, are summarised in the table below and further details are provided on our website.

Executive directors collectively hold approximately 2.2% of the issued share capital of Investec plc and Investec Limited.

## Leveraged equity plans

A group of senior and executive managers, including certain Investec plc/Investec Limited directors, who have or can have a significant impact on the business, were granted participation (prior to the implementation of the DLC structure) in a leveraged equity plan known as Fintique II, which was established in 1996. This plan reached its final maturity in July 2008.

## Summary of Investec's share option and long-term share incentive plans

| Plan                                                       | Eligibility                                                                                                                                                                                       | Date implemented | Options/shares   | Maximum award per individual <sup>1</sup>                                                                                                                      | Performance conditions <sup>2</sup> | Vesting period                          | Options granted during the year <sup>3</sup> | Total issued as at 31 March 2009 <sup>4/5/6</sup>                   |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------|----------------------------------------------|---------------------------------------------------------------------|
| <b>Long-term incentive plans<sup>7</sup></b>               |                                                                                                                                                                                                   |                  |                  |                                                                                                                                                                |                                     |                                         |                                              |                                                                     |
| Investec 1 Limited Share Incentive Plan - nil cost options | <ul style="list-style-type: none"> <li>New and existing full time employees</li> <li>Excluding employees in SA, Botswana, Namibia and Mauritius</li> <li>Excluding executive directors</li> </ul> | 16 Mar 2005      | Investec plc     | <ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul> | None                                | 75% end of year 4 and 25% end of year 5 | 5 425 681                                    | Number 24 355 807<br><br>% of issued share capital of company 5.5%  |
| Investec Limited Share Incentive Plan - nil cost options   | <ul style="list-style-type: none"> <li>New and existing full time employees in SA, Botswana, Namibia and Mauritius</li> <li>Excluding executive directors</li> </ul>                              | 16 Mar 2005      | Investec Limited | <ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul> | None                                | 75% end of year 4 and 25% end of year 5 | 5 454 600                                    | Number 28 058 075<br><br>% of issued share capital of company 10.5% |

# Remuneration Report

## Summary of Investec's share option and long-term share incentive plans (continued)

| Plan                                                  | Eligibility                                                                                                                                                                       | Date implemented | Options/shares                                                                                                                  | Maximum award per individual <sup>1</sup>                                                                  | Performance conditions <sup>2</sup>                                                                                                                                                                          | Vesting period                                                               | Options granted during the year <sup>3</sup> | Total issued as at 31 March 2009 <sup>4/5/6</sup>             |
|-------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------|---------------------------------------------------------------|
| <b>Long-term incentive plans<sup>7</sup></b>          |                                                                                                                                                                                   |                  |                                                                                                                                 |                                                                                                            |                                                                                                                                                                                                              |                                                                              |                                              |                                                               |
| Investec plc Share Matching Plan 2005                 | • Executive directors                                                                                                                                                             | 14 Nov 2005      | Matching awards of Investec Limited and Investec plc shares in the ratio of 1:1 against shares invested in plan by the director | A maximum of 750 000 investment shares may be invested in the plan each time the plan is operated          | Vesting scale over the period based on normalised EPS growth in excess of UK RPI, with 0% vesting if EPS growth is less than 4% plus RPI p a and 100% vesting if EPS growth is in excess of RPI plus 12% p a | 75% end of year 4 and 25% end of year 5                                      | Nil                                          | Number 2 450 000<br>% of issued share capital of company 0.6% |
| <b>Current share option plans</b>                     |                                                                                                                                                                                   |                  |                                                                                                                                 |                                                                                                            |                                                                                                                                                                                                              |                                                                              |                                              |                                                               |
| Investec plc Share Option Plan 2002 (unapproved plan) | • New and existing full-time employees<br>• Excluding employees in SA, Botswana, Namibia and Mauritius<br>• UK employees - grants exceeding £30 000<br>• Directors and executives | 28 Aug 2002      | Investec plc                                                                                                                    | • Cumulative limit of 2 500 000 across all option plans<br>• In any financial year 1x remuneration package | Growth in headline EPS ≥ UK RPI plus 3% compounded annually over the period of the grant                                                                                                                     | Initially two tranches of 50% at the end of year one and the end of year two | 162 600                                      | Number 1 777 570<br>% of issued share capital of company 0.4% |
| Investec Limited Deferred Bonus Plan 2008             | • New and existing full-time employees in SA, Botswana, Namibia and Mauritius                                                                                                     | 2 June 2008      | Investec Limited                                                                                                                | • Cumulative limit of 2 500 000 across all option plans<br>• In any financial year 1x remuneration package | None                                                                                                                                                                                                         | Initially two tranches of 50% at the end of year one and the end of year two | 43 850                                       | 43 850<br>% of issued share capital of company 0%             |
| Investec plc Deferred Bonus Plan 2008                 | • New and existing full-time employees<br>• Excluding employees in SA, Botswana, Namibia and Mauritius                                                                            | 2 June 2008      | Investec plc                                                                                                                    | • Cumulative limit of 2 500 000 across all option plans<br>• In any financial year 1x remuneration package | None                                                                                                                                                                                                         | Variable with a minimum non-dealing period of one year                       | 663 000                                      | 663 000<br>% of issued share capital of company 0.1%          |



# Remuneration Report

## Summary of Investec's share option and long-term share incentive plans (continued)

| Plan                                                            | Eligibility                                                                                                                                                                                                                                   | Date implemented | Options/shares                                                         | Maximum award per individual <sup>1</sup>                                                                                                                                                                                | Performance conditions <sup>2</sup>                                                      | Vesting period                                                                         | Options granted during the year <sup>3</sup> | Total issued as at 31 March 2009 <sup>4/5/6</sup>              |
|-----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|----------------------------------------------|----------------------------------------------------------------|
| <b>Plan introduced in terms of our empowerment transaction</b>  |                                                                                                                                                                                                                                               |                  |                                                                        |                                                                                                                                                                                                                          |                                                                                          |                                                                                        |                                              |                                                                |
| The Investec Limited Security Purchase Scheme 2003              | <ul style="list-style-type: none"> <li>Employees of Investec Limited who are African, Coloured or Indian individuals</li> <li>Excluding executive directors</li> </ul>                                                                        | 15 May 2003      | Investec Limited                                                       | <ul style="list-style-type: none"> <li>500 000 individual limit in terms of this scheme</li> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul> | None                                                                                     | Tranches over eight years ending 15 May 2011                                           | 1 411 875                                    | Number 11 140 171<br>% of issued share capital of company 4.2% |
| <b>Share plans not currently in use</b>                         |                                                                                                                                                                                                                                               |                  |                                                                        |                                                                                                                                                                                                                          |                                                                                          |                                                                                        |                                              |                                                                |
| Investec plc Share Option Plan 2002 (approved plan)             | <ul style="list-style-type: none"> <li>New and existing UK full-time employees - grants up to the value of £30 000</li> <li>Directors and executives</li> </ul>                                                                               | 28 Aug 2002      | Investec plc                                                           | <ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>                                                           | Growth in headline EPS ≥ UK RPI plus 3% compounded annually over the period of the grant | Tranches of 50%, 25% and 25% at the third, fourth and fifth anniversaries respectively | Nil                                          | Number 1 269 725<br>% of issued share capital of company 0.3%  |
| Investec plc Share Appreciation Option Plan 2002                | <ul style="list-style-type: none"> <li>New and existing full-time employees</li> <li>Excluding employees in SA, Botswana, Namibia and Mauritius</li> <li>UK employees - grants exceeding £30 000</li> <li>Directors and executives</li> </ul> | 28 Aug 2002      | Cash settled based on the increase in the Investec Limited share price | <ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>                                                           | Growth in headline EPS ≥ UK RPI plus 3% compounded annually over the period of the grant | Tranches of 25% each on the second, third, fourth and fifth anniversaries              | Last grant made on 17 June 2003              | Number Nil<br>% of issued share capital of company 0%          |
| Investec Limited Security Purchase and Option Scheme Trust 2002 | <ul style="list-style-type: none"> <li>New and existing full-time employees in SA, Botswana, Namibia and Mauritius</li> <li>Directors and executives</li> </ul>                                                                               | 20 June 2002     | Investec Limited and Investec plc                                      | <ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul>                                                           | Growth in headline EPS ≥ UK RPI plus 3% compounded annually over the period of the grant | Tranches of 25% each on the second, third, fourth and fifth anniversaries              | Last grant made on 14 Dec 2005               | Number 990 247<br>% of issued share capital of company 0.2%    |



# Remuneration Report

## Summary of Investec's share option and long-term share incentive plans (continued)

| Plan                                                                | Eligibility                                                                                                                                   | Date implemented | Options/shares                                                                                            | Maximum award per individual <sup>1</sup>                                                                                                                      | Performance conditions <sup>2</sup> | Vesting period                                                                                              | Options granted during the year <sup>3</sup>                   | Total issued as at 31 March 2009 <sup>4/5/6</sup>             |
|---------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------------------------------|
| Share plans introduced prior to implementation of the DLC structure |                                                                                                                                               |                  |                                                                                                           |                                                                                                                                                                |                                     |                                                                                                             |                                                                |                                                               |
| Investec Group Limited UK Share Option Plan                         | <ul style="list-style-type: none"> <li>Employees - excluding SA, Botswana, Namibia and Mauritius</li> <li>Directors and executives</li> </ul> | 1 Nov 1999       | Investec Group Limited (prior to implementation of DLC structure) (now Investec Limited and Investec plc) | <ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul> | None                                | Tranches of 25% each on the second, third, fourth and fifth anniversaries Awards lapse 10 years after grant | Last grant made on 20 June 2002 No further grants will be made | Number 371 890<br>% of issued share capital of company 0.1%   |
| Investec Limited Security Purchase and Option Scheme Trust          | <ul style="list-style-type: none"> <li>Employees in SA Botswana, Namibia and Mauritius</li> <li>Directors and executives</li> </ul>           | 25 Nov 1988      | Investec Limited and Investec plc                                                                         | <ul style="list-style-type: none"> <li>Cumulative limit of 2 500 000 across all option plans</li> <li>In any financial year 1x remuneration package</li> </ul> | None                                | Tranches of 25% each on the second, third, fourth and fifth anniversaries Awards lapse 10 years after grant | Last grant made on 2 May 2002 No further grants will be made   | Number 2 309 029<br>% of issued share capital of company 0.3% |

### Notes

- <sup>1</sup> The limits for allocations to employees and executive management during a financial year may be exceeded if the directors determine that exceptional circumstances make it desirable that options should be granted in excess of that limit
- <sup>2</sup> These conditions require growth in headline earnings per share (EPS) over the relevant option period to equal or exceed the UK Retail Price Index (RPI) plus 3% compounded annually over the same period. In choosing the performance targets for this plan, the committee considered the merits of EPS-based targets against other possibilities such as comparative performance or comparative growth in return on average shareholders' funds (ROE) against a basket of other companies. The committee determined that EPS-based targets are most appropriate as they measure our underlying growth. The committee intends to continue to apply this during the 2010 financial year but keeps the whole matter of the suitability of target-linked share based remuneration under periodic review. This note does not apply to the Share Matching Plan 2005 which has different performance conditions as approved by shareholders (further information is available on our website)
- <sup>3</sup> This represents the number of awards made to all participants. For further details, see the Directors' Report on page 231. More details on the directors' shareholdings are also provided in tables accompanying this report
- <sup>4</sup> Dilution limits: Investec is committed to following the Association of British Insurers' (ABI) guidelines and accordingly, as from the date of the implementation of our DLC structure (29 July 2002), the maximum number of new shares which may be issued by the company under all of the share plans (in respect of grants made after July 2002) may not exceed 10% of the issued share capital of the company over a rolling ten-year period. The committee regularly monitors the utilisation of dilution limits and available headroom to ensure that these guidelines are complied with. The issued share capital of Investec plc and Investec Limited at 31 March 2009 was 444.9 million shares and 268.3 million shares respectively. As announced on the stock exchange news services, 1.6 million Investec plc and 2.3 million Investec Limited shares were issued to the staff share schemes during the year
- <sup>5</sup> The market price of an Investec plc share as at 31 March 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year
- <sup>6</sup> The market price of an Investec Limited share as at 31 March 2009 was R38.86 (2008: R57.43), ranging from a low of R27.20 to a high of R63.19 during the financial year
- <sup>7</sup> The rules of these long-term incentive plans do not allow Investec to issue new shares to the plan to satisfy any awards made to participants, nor may awards be made to executive directors

# Remuneration Report

## Performance graph total shareholder return

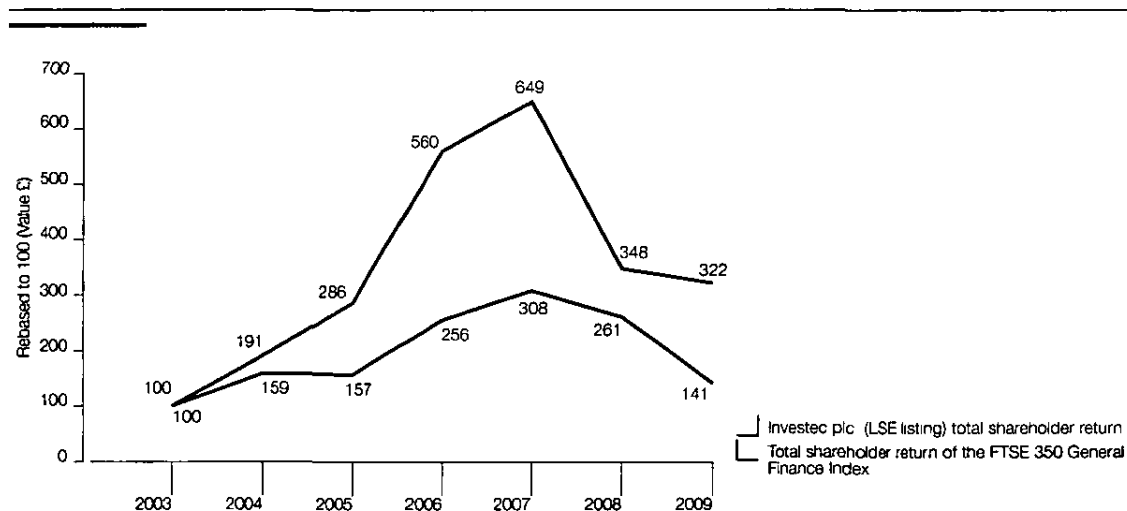
We have implemented a DLC structure, in terms of which we have primary listings in London and Johannesburg. The listing on the London Stock Exchange (LSE) took place on 29 July 2002, although we have been listed in South Africa since 1986.

Schedule 7A of the UK Companies Act 1985 requires this report to include a performance graph of Investec plc's total shareholder return (TSR) performance against that of a broad market index. We found it difficult to locate an appropriate group of companies to benchmark ourselves against because of our specialist activities. A number of companies within the FTSE 350 General Finance Index conduct similar activities to us, although they do not necessarily have the same geographical profile. Nevertheless, we believe that this is the most appropriate index against which to measure our performance on the LSE.

The graph below shows the cumulative shareholder return for a holding of our shares (in blue) in Pounds Sterling on the LSE compared to the average total shareholder return of other members of the FTSE 350 General Finance Index. It shows that, at 31 March 2009, a hypothetical £100 invested in Investec plc at the time of its listing on the LSE in July 2002 would have generated a total return of £222 compared with a return of £41 if invested in the FTSE 350 General Finance Index. Investec plc has therefore outperformed the FTSE 350 General Finance Index over the period.

During the period from 1 April 2008 to 31 March 2009, the return to shareholders of Investec plc (measured in Pounds Sterling) and Investec Limited (measured in Rands) was negative 7.5% and negative 26.6%, respectively. This compares to a negative return of 45.8% for the FTSE 350 General Finance Index.

The market price of our shares on the LSE was £2.92 as at 31 March 2009, ranging from a low of £1.69 to a high of £4.21 during the financial year. Furthermore, the market price of our shares on the JSE Limited was R38.86 as at 31 March 2009, ranging from a low of R27.20 to a high of R63.19 during the financial year.



Source: Datastream

# Remuneration Report

## Audited information

### Directors' annual remuneration

The following table shows a breakdown of the annual remuneration (excluding equity awards) of directors for the year ended 31 March 2009

| Name                                        | Salaries, directors fees and other remuneration<br>2009<br>£ | Total other benefits<br>2009 <sup>3</sup><br>£ | Gross remuneration<br>2009 <sup>1/2</sup><br>£ | Annual bonus<br>2009 <sup>4</sup><br>£ | Total remuneration<br>2009<br>£ | Total remuneration<br>2008 <sup>5</sup><br>£ |
|---------------------------------------------|--------------------------------------------------------------|------------------------------------------------|------------------------------------------------|----------------------------------------|---------------------------------|----------------------------------------------|
| <b>Executive directors</b>                  |                                                              |                                                |                                                |                                        |                                 |                                              |
| S Koseff (Chief Executive Officer)          | 331 007                                                      | 78 993                                         | 410 000                                        | 1 250 000                              | 1 660 000                       | 3 297 500                                    |
| B Kantor (Managing Director)                | 364 566                                                      | 45 434                                         | 410 000                                        | 1 250 000                              | 1 660 000                       | 3 307 959                                    |
| GR Burger (Group Risk and Finance Director) | 267 240                                                      | 9 676                                          | 276 916                                        | 1 348 618                              | 1 625 534                       | 2 708 401                                    |
| A Tapnack                                   | 270 833                                                      | 56 933                                         | 327 766                                        | 500 000                                | 827 766                         | 1 039 177                                    |
| <b>Total Pounds Sterling</b>                | <b>1 233 646</b>                                             | <b>191 036</b>                                 | <b>1 424 682</b>                               | <b>4 348 618</b>                       | <b>5 773 300</b>                | <b>10 353 037</b>                            |
| <b>Non-executive directors</b>              |                                                              |                                                |                                                |                                        |                                 |                                              |
| HS Herman (Chairman)                        | 360 000                                                      | -                                              | 360 000                                        | -                                      | 360 000                         | 340 000                                      |
| SE Abrahams                                 | 202 520                                                      | -                                              | 202 520                                        | -                                      | 202 520                         | 171 826                                      |
| GFO Alford                                  | 120 500                                                      | -                                              | 120 500                                        | -                                      | 120 500                         | 114 000                                      |
| CA Carolus                                  | 56 372                                                       | -                                              | 56 372                                         | -                                      | 56 372                          | 51 572                                       |
| H Fukuda OBE                                | 53 000                                                       | -                                              | 53 000                                         | -                                      | 53 000                          | 50 000                                       |
| GMT Howe                                    | 86 500                                                       | -                                              | 86 500                                         | -                                      | 86 500                          | 82 000                                       |
| DE Jowell <sup>6</sup>                      | -                                                            | -                                              | -                                              | -                                      | -                               | 83 229                                       |
| IR Kantor                                   | 62 000                                                       | -                                              | 62 000                                         | -                                      | 62 000                          | 58 500                                       |
| Sir C Keswick                               | 87 500                                                       | -                                              | 87 500                                         | -                                      | 87 500                          | 83 000                                       |
| MP Malungani                                | 66 487                                                       | -                                              | 66 487                                         | -                                      | 66 487                          | 57 862                                       |
| Sir D Prosser                               | 74 500                                                       | -                                              | 74 500                                         | -                                      | 74 500                          | 62 500                                       |
| PRS Thomas                                  | 150 291                                                      | -                                              | 150 291                                        | -                                      | 150 291                         | 137 244                                      |
| F Titi                                      | 160 892                                                      | -                                              | 160 892                                        | -                                      | 160 892                         | 132 968                                      |
| <b>Total Pounds Sterling</b>                | <b>1 480 562</b>                                             | <b>-</b>                                       | <b>1 480 562</b>                               | <b>-</b>                               | <b>1 480 562</b>                | <b>1 424 701</b>                             |
| <b>Total Pounds Sterling</b>                | <b>2 714 208</b>                                             | <b>191 036</b>                                 | <b>2 905 244</b>                               | <b>4 348 618</b>                       | <b>7 253 862</b>                | <b>11 777 738</b>                            |

#### Notes

- <sup>1</sup> Gross remuneration comprises base salary and other benefits (see point 2 and 3 below)
  - <sup>2</sup> Gross remuneration of S Koseff, B Kantor and A Tapnack has increased on average by approximately 4%. The gross remuneration of GR Burger is determined in Rands and converted into Pounds Sterling. In Rand terms GR Burger's gross remuneration increased by 7.7% from R2 795 833 to R3 012 500. Gross remuneration increases for other employees across the group have generally been in the range of 2% to 8%, and the increases awarded to executive directors are consistent with this. The executive directors have received no increases in salaries for the 2010 financial year.
  - <sup>3</sup> The executive directors receive other benefits which may include pension schemes, life, disability and personal accident insurance, and medical cover, on similar terms to other senior executives.
  - <sup>4</sup> In determining annual bonuses, a number of quantitative and qualitative factors/metrics were considered which included:
    - The group recorded a decline in attributable earnings, dividends per share and total shareholder return
    - The group, however, maintained a sound balance sheet with low leverage and healthy capital and liquidity ratios during a challenging operating environment
    - The group reported operating profits in all of its core geographies, benefiting from its recurring income base
    - The group maintained its capital strength without recourse to shareholders, new investors or government assistance
    - A focused and intimate involvement of the executive directors in ensuring stringent management of risk, liquidity and capital
    - The group emerged from this period with its capacity to compete its brand and its entrepreneurial spirit unimpeded
- Further information on the group's performance and risk management metrics have been discussed elsewhere in the Annual Report



# Remuneration Report

Notes to table on page 199 continued

- <sup>4</sup> S Koseff and B Kantor are each awarded a total bonus of £1 250 000, comprising £494 000 in cash payable in June 2009 and the balance deferred and payable in cash on 28 February 2010. The deferred component will be calculated with reference to the value of 240 000 shares at 28 February 2010. For annual report disclosure and reporting purposes the deferred component was determined at the remuneration committee meeting held on 3 June 2009 at a price per share of £3 15 being the average closing Investec plc share price over the period 31 March 2009 to 31 May 2009.
- GR Burger has been awarded a total bonus of R20 million, comprising R10 107 200 in cash payable in June 2009 and the balance deferred and payable in cash on 28 February 2010. The deferred component will be calculated with reference to the value of 240 000 shares at 28 February 2010. For annual report disclosure and reporting purposes the deferred component was determined at the remuneration committee meeting held on 3 June 2009 at a price per share of R41 22 being the average closing Investec plc share price over the period 31 March 2009 to 31 May 2009.
- A Tapnack has been awarded a total bonus of £500 000, comprising £235 000 in cash payable in June 2009 and the balance deferred and payable in cash on 28 February 2010. The deferred component will be calculated with reference to the value of 84 127 shares at 28 February 2010. For annual report disclosure and reporting purposes the deferred component was determined at the remuneration committee meeting held on 3 June 2009 at a price per share of £3 15 being the average closing Investec plc share price over the period 31 March 2009 to 31 May 2009.
- The introduction of the deferred component in annual bonuses is in line with the committee's philosophy as described on page 193.

<sup>5</sup> Resigned with effect 30 September 2007

<sup>6</sup> A breakdown of the components of the reward packages for the executive directors in the 2008 financial year is as follows

| Name                                        | Salary<br>£      | Total<br>other benefits<br>£ | Gross<br>remuneration<br>£ | Annual<br>bonus<br>£ | Total<br>remuneration<br>£ |
|---------------------------------------------|------------------|------------------------------|----------------------------|----------------------|----------------------------|
| <b>Executive directors</b>                  |                  |                              |                            |                      |                            |
| S Koseff (Chief Executive Officer)          | 323 740          | 73 760                       | 397 500                    | 2 900 000            | 3 297 500                  |
| B Kantor (Managing Director)                | 370 236          | 37 723                       | 407 959                    | 2 900 000            | 3 307 959                  |
| GR Burger (Group Risk and Finance Director) | 219 729          | 42 830                       | 262 559                    | 2 445 842            | 2 708 401                  |
| A Tapnack                                   | 258 333          | 30 844                       | 289 177                    | 750 000              | 1 039 177                  |
| <b>Total Pounds Sterling</b>                | <b>1 172 038</b> | <b>185 157</b>               | <b>1 357 195</b>           | <b>8 995 842</b>     | <b>10 353 037</b>          |

## Retirement benefits

None of the executive directors belong to a defined benefit pension scheme and all are members of one of our defined contribution schemes. The total contribution to these schemes, payable by the company, included in the total salary of the director or included in benefits paid as highlighted in the tables above, is as follows

| Name                                        | 2009<br>£      | 2008<br>£      |
|---------------------------------------------|----------------|----------------|
| <b>Executive directors</b>                  |                |                |
| S Koseff (Chief Executive Officer)          | 58 055         | 54 813         |
| B Kantor (Managing Director)                | 32 302         | 27 563         |
| GR Burger (Group Risk and Finance Director) | -              | 26 841         |
| A Tapnack                                   | 49 689         | 25 833         |
| <b>Total Pounds Sterling</b>                | <b>140 046</b> | <b>135 050</b> |

## Executive directors' total assumed cost to company

The table below provides an indication of the total cost to the company in relation to executive directors' remuneration. Total cash payments and benefits reflect the information disclosed in the tables above. The IFRS accounting charge (in terms of IFRS 2) reflects the cost that has been expensed by the company in its income statement in the relevant period in relation to share options and long-term incentive awards that have been granted to the executives. Further details on these equity awards are provided in the tables that follow

| Name                                        | Salary,<br>bonus and<br>other<br>benefits<br>2009<br>£ | Accounting<br>IFRS charge<br>in relation<br>to equity<br>awards<br>2009<br>£ | Total<br>assumed<br>remuneration<br>expense<br>2009<br>£ | Salary,<br>bonus and<br>other<br>benefits<br>2008<br>£ | Accounting<br>IFRS charge<br>in relation<br>to equity<br>awards<br>2008<br>£ | Total<br>assumed<br>remuneration<br>expense<br>2008<br>£ |
|---------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------|----------------------------------------------------------|
| <b>Executive directors</b>                  |                                                        |                                                                              |                                                          |                                                        |                                                                              |                                                          |
| S Koseff (Chief Executive Officer)          | 1 660 000                                              | 623 666                                                                      | 2 283 666                                                | 3 297 500                                              | 636 737                                                                      | 3 934 237                                                |
| B Kantor (Managing Director)                | 1 660 000                                              | 623 838                                                                      | 2 283 838                                                | 3 307 959                                              | 633 809                                                                      | 3 941 768                                                |
| GR Burger (Group Risk and Finance Director) | 1 625 534                                              | 666 258                                                                      | 2 291 792                                                | 2 708 401                                              | 647 000                                                                      | 3 355 401                                                |
| A Tapnack                                   | 827 766                                                | 166 483                                                                      | 994 249                                                  | 1 039 177                                              | 170 075                                                                      | 1 209 252                                                |
| <b>Total Pounds Sterling</b>                | <b>5 773 300</b>                                       | <b>2 080 245</b>                                                             | <b>7 853 545</b>                                         | <b>10 353 037</b>                                      | <b>2 087 621</b>                                                             | <b>12 440 658</b>                                        |

# Remuneration Report

## Directors' shareholdings, options and long-term incentive awards

The company's register of directors' interests contains full details of directors' shareholdings, options and long-term incentive awards. The tables that follow provide information on the directors' shareholdings, options and long-term incentive awards for the year ended 31 March 2009.

## Directors' shareholdings in Investec plc and Investec Limited shares as at 31 March 2009

| Name                           | Beneficial and non-beneficial interest Investec plc <sup>2</sup> |                   | % of shares in issue <sup>1</sup> Investec plc | Beneficial and non-beneficial interest Investec Limited <sup>3</sup> |                   | % of shares in issue <sup>1</sup> Investec Limited |
|--------------------------------|------------------------------------------------------------------|-------------------|------------------------------------------------|----------------------------------------------------------------------|-------------------|----------------------------------------------------|
|                                | 1 April 2008                                                     | 31 March 2009     |                                                | 1 April 2008                                                         | 31 March 2009     |                                                    |
| <b>Executive directors</b>     |                                                                  |                   |                                                |                                                                      |                   |                                                    |
| S Koseff <sup>4</sup>          | 4 886 633                                                        | 4 986 633         | 1.1%                                           | 441 515                                                              | 1 899 330         | 0.7%                                               |
| B Kantor <sup>5</sup>          | 1 500                                                            | 48 525            | -                                              | 5 001 000                                                            | 5 301 000         | 2.0%                                               |
| GR Burger <sup>6</sup>         | 2 530 095                                                        | 2 132 135         | 0.5%                                           | 499 885                                                              | 1 037 076         | 0.4%                                               |
| A Tapnack                      | 88 900                                                           | -                 | -                                              | 185 105                                                              | 340 607           | 0.1%                                               |
| <b>Total number</b>            | <b>7 507 128</b>                                                 | <b>7 167 293</b>  | <b>1.6%</b>                                    | <b>6 127 505</b>                                                     | <b>8 578 013</b>  | <b>3.2%</b>                                        |
| <b>Non-executive directors</b> |                                                                  |                   |                                                |                                                                      |                   |                                                    |
| HS Herman <sup>7</sup>         | 1 369 915                                                        | 1 369 915         | 0.3%                                           | 44 525                                                               | 760 470           | 0.3%                                               |
| SE Abrahams                    | 30 000                                                           | 30 000            | -                                              | -                                                                    | -                 | -                                                  |
| GFO Alford                     | 3 100                                                            | 3 100             | -                                              | -                                                                    | -                 | -                                                  |
| CA Carolus                     | -                                                                | -                 | -                                              | -                                                                    | -                 | -                                                  |
| H Fukuda OBE                   | 5 000                                                            | 5 000             | -                                              | -                                                                    | -                 | -                                                  |
| GMT Howe                       | -                                                                | -                 | -                                              | -                                                                    | -                 | -                                                  |
| IR Kantor                      | 1 512 570                                                        | 1 509 545         | 0.3%                                           | 2 002 100                                                            | 2 000 325         | 0.7%                                               |
| Sir C Keswick                  | 15 750                                                           | 15 750            | -                                              | 9 250                                                                | 9 250             | -                                                  |
| MP Malungani <sup>8</sup>      | -                                                                | -                 | -                                              | 7 728 890                                                            | 7 728 890         | 2.9%                                               |
| Sir D Prosser                  | 10 000                                                           | 10 000            | -                                              | -                                                                    | -                 | -                                                  |
| PRS Thomas                     | 415 855                                                          | 415 855           | 0.1%                                           | 255 955                                                              | 255 955           | 0.1%                                               |
| F Titu                         | -                                                                | -                 | -                                              | -                                                                    | -                 | -                                                  |
| <b>Total number</b>            | <b>3 362 190</b>                                                 | <b>3 359 165</b>  | <b>0.7%</b>                                    | <b>10 040 720</b>                                                    | <b>10 754 890</b> | <b>4.0%</b>                                        |
| <b>Total number</b>            | <b>10 869 318</b>                                                | <b>10 526 458</b> | <b>2.3%</b>                                    | <b>16 168 225</b>                                                    | <b>19 332 903</b> | <b>7.2%</b>                                        |

### Notes

<sup>1</sup> The total number of Investec plc and Investec Limited shares in issue as at 31 March 2009 was 444.9 million and 268.3 million, respectively.

<sup>2</sup> The market price of an Investec plc share as at 31 March 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year.

<sup>3</sup> The market price of an Investec Limited share as at 31 March 2009 was R38.86 (2008: R57.43), ranging from a low of R27.20 to a high of R63.19 during the financial year.

In addition to their shareholdings reflected in the table above, some of the directors have an interest in options over Investec Limited shares, the details of which are as follows:

<sup>4</sup> S Koseff - purchased European call options on 11 June 2008 over 155 825 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

<sup>5</sup> B Kantor -

- Purchased European call options on 22 July 2008 over 500 000 Investec Limited shares at a strike of R52.03 per share and an expiry date of 22 July 2010.
- Purchased European call options on 11 June 2008 over 500 000 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.
- Purchased put options on 27 November 2008 over 1 000 000 Investec Limited shares at a strike of R40.00 per share and an expiry date of 27 May 2009.
- Sold call options on 27 November 2008 over 2 000 000 Investec Limited shares at a strike of R50.00 per share and an expiry date of 27 May 2009.

<sup>6</sup> GR Burger - purchased European call options on 11 June 2008 over 63 300 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

<sup>7</sup> HS Herman - purchased European call options on 11 June 2008 over 30 875 Investec Limited shares at a strike of R48.27 per share and an expiry date of 11 June 2011.

<sup>8</sup> In November 2003, Investec Limited concluded an empowerment transaction with Tiso Group (Tiso), Peu Group (Proprietary) Limited (Peu), a broad-based Entrepreneurship Development Trust and an Employee Share Trust in terms of which they acquired a 25.1% stake in the issued share capital of Investec Limited. MP Malungani is the Chairman of Peu.



## Remuneration Report

### Directors' interest in preference shares as at 31 March 2009

| Name                           | Investec plc |               | Investec Limited |               | Investec Bank Limited |               |
|--------------------------------|--------------|---------------|------------------|---------------|-----------------------|---------------|
|                                | 1 April 2008 | 31 March 2009 | 1 April 2008     | 31 March 2009 | 1 April 2008          | 31 March 2009 |
| <b>Executive directors</b>     |              |               |                  |               |                       |               |
| S Koseff <sup>1</sup>          | 21 198       | 101 198       | 3 000            | 3 000         | 4 000                 | 4 000         |
| <b>Non-executive directors</b> |              |               |                  |               |                       |               |
| HS Herman                      | -            | -             | -                | -             | 1 135                 | 1 135         |

#### Notes

- The market price of an Investec plc preference share as at 31 March 2009 was R34 00 (2008 R98 00)
- The market price of an Investec Limited preference share as at 31 March 2009 was R75 80 (2008 R84 40)
- The market price of an Investec Bank Limited preference share as at 31 March 2009 was R82 00 (2008 R91 00)
- <sup>1</sup> S Koseff bought the following preference shares during the year under review
  - 10 757 shares on 19 December 2008 at R31 46 per share
  - 5 143 shares on 22 December 2008 at R33 37 per share
  - 14 100 shares on 23 December 2008 at R36 61 per share
  - 50 000 shares on 9 February 2009 at R29 19 per share

### Directors' attributable interest in Investec plc and Investec Limited shares through a leveraged equity plan called Fintique II as at 31 March 2009

| Name                           | Entitlement to Investec plc shares |               | Entitlement to Investec Limited shares |               |
|--------------------------------|------------------------------------|---------------|----------------------------------------|---------------|
|                                | 1 April 2008                       | 31 March 2009 | 1 April 2008                           | 31 March 2009 |
| <b>Executive directors</b>     |                                    |               |                                        |               |
| S Koseff                       | 918 420                            | -             | 539 395                                | -             |
| GR Burger                      | 629 515                            | -             | 369 715                                | -             |
| A Tapnack                      | -                                  | -             | 168 340                                | -             |
| <b>Non-executive directors</b> |                                    |               |                                        |               |
| HS Herman                      | 451 045                            | -             | 264 900                                | -             |
| <b>Total number</b>            | <b>1 998 980</b>                   | <b>-</b>      | <b>1 342 350</b>                       | <b>-</b>      |

#### Notes

- Fintique II was constituted on 31 July 1996 via a special purpose vehicle (SPV), initially available to 235 selected executives, senior managers and directors. Participants acquired units in the SPV, where the underlying instruments were compulsory convertible debentures, which convert into 4 430 Investec shares for every 1 000 units in Fintique II. The scheme was funded through cash contributions from participants and the upfront sale of the income stream on the debentures and the right to the redemption proceeds. A total of 4 0 million units were issued in terms of the scheme, converting into approximately 17 8 million shares.
- The Fintique II scheme matured on 31 July 2008 and all of the unitholders in the scheme disposed of their respective units and settled their obligations in terms of the scheme. All the shares to which the directors were entitled in terms of the scheme were taken up at a price of R2 32 per share based on the valuation of the scheme as at 30 June 2008.
- Following the disposal of their respective Fintique II units on 30 June 2008, S Koseff received 1 457 815 Investec Limited shares, GR Burger received 999 230 Investec Limited shares, A Tapnack received 155 502 Investec Limited shares and HS Herman received 715 945 Investec Limited shares. These share holdings are now disclosed as part of the directors' aggregate beneficial and non-beneficial shareholdings in Investec Limited as reflected on page 201.
- The Fintique II scheme has been terminated as at 31 March 2009.

## Remuneration Report

### Directors' interest in options as at 31 March 2009

#### Investec plc shares

| Name                       | Date of grant | Exercise price | Number of Investec plc shares at 1 April 2008 | Exercised during the year <sup>1</sup> | Options granted/ lapsed during the year | Balance at 31 March 2009 | Market price at date of exercise <sup>1</sup> | Gross gains made on date of exercise <sup>1</sup> | Period exercisable                                                     |
|----------------------------|---------------|----------------|-----------------------------------------------|----------------------------------------|-----------------------------------------|--------------------------|-----------------------------------------------|---------------------------------------------------|------------------------------------------------------------------------|
| <b>Executive directors</b> |               |                |                                               |                                        |                                         |                          |                                               |                                                   |                                                                        |
| B Kantor                   | 20 Dec 2002   | £1.59          | 15,130                                        | 5,675                                  | -                                       | 9,455                    | £2.69                                         | £6,243                                            | Vesting scale in terms of the scheme rules<br>Vesting ends 20 Mar 2012 |
| A Tapnack                  | 20 Dec 2002   | £1.59          | 15,130                                        | 5,675                                  | -                                       | 9,455                    | £2.30                                         | £4,029                                            | Vesting scale in terms of the scheme rules<br>Vesting ends 20 Mar 2012 |

#### Notes

No new grants were made to executive directors during the financial year. The market price of an Investec plc share as at 31 March 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year. A total of 444.9 million Investec plc shares were in issue as at 31 March 2009.

#### <sup>1</sup> Details with respect to options exercised

- B Kantor exercised his options and bought 5,675 Investec plc shares on 22 December 2008, when the share price was £2.69 per share. The performance conditions with respect to these options were met.
- A Tapnack exercised his options and sold 5,675 Investec plc shares on 3 February 2009, when the share price was £2.30 per share. The performance conditions with respect to these options were met.

#### General comments

- B Kantor's and A Tapnack's options were granted in terms of the Investec plc Share Option Plan 2002.
- The options granted on 20 December 2002 were made for no consideration.
- The options granted on 20 December 2002 have certain performance conditions attached which require growth in headline earnings per share over the relevant option period to equal or exceed the UK RPI plus 3% (compounded annually over the same period).

### Investec Limited shares

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



## Remuneration Report

### Directors' interest in the Share Matching Plan 2005 as at 31 March 2009

| Name                       | Date of grant | Exercise price | Number of Investec plc shares |               | Period exercisable                                                               |
|----------------------------|---------------|----------------|-------------------------------|---------------|----------------------------------------------------------------------------------|
|                            |               |                | 1 April 2008                  | 31 March 2009 |                                                                                  |
| <b>Executive directors</b> |               |                |                               |               |                                                                                  |
| S Koseff                   | 21 Nov 05     | £0.00          | 750 000                       | 750 000       | 75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010 |
| B Kantor                   | 21 Nov 05     | £0.00          | 750 000                       | 750 000       | 75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010 |
| GR Burger                  | 21 Nov 05     | £0.00          | 600 000                       | 600 000       | 75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010 |
|                            | 25 Jun 07     | £0.00          | 150 000                       | 150 000       | 75% of the matching award is exercisable on 25 June 2011 and 25% on 25 June 2012 |
| A Tapnack                  | 21 Nov 05     | £0.00          | 200 000                       | 200 000       | 75% of the matching award is exercisable on 30 June 2009 and 25% on 30 June 2010 |

#### Notes

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

The performance conditions in terms of this plan have been met in respect of the November 2005 awards and the director's will be entitled to 75% of the matching award on 30 June 2009.



## Remuneration Report

Summary: total interest in Investec plc and Investec Limited ordinary shares, options and long-term incentive awards as at 31 March 2009

### Investec plc

| Name                | Beneficially and non-beneficially held | Options | Share Matching Plan | Balance at 31 March 2009 | Balance at 31 March 2008 |
|---------------------|----------------------------------------|---------|---------------------|--------------------------|--------------------------|
| Executive directors |                                        |         |                     |                          |                          |
| S Koseff            | 4 986 633                              | -       | 750 000             | 5 736 633                | 6 555 053                |
| B Kantor            | 48 525                                 | 9 455   | 750 000             | 807 980                  | 766 630                  |
| GR Burger           | 2132 135                               | -       | 750 000             | 2 882 135                | 3 909 610                |
| A Tapnack           | -                                      | 9 455   | 200 000             | 209 455                  | 304 030                  |
| Total number        | 7 167 293                              | 18 910  | 2 450 000           | 9 636 203                | 11 535 323               |

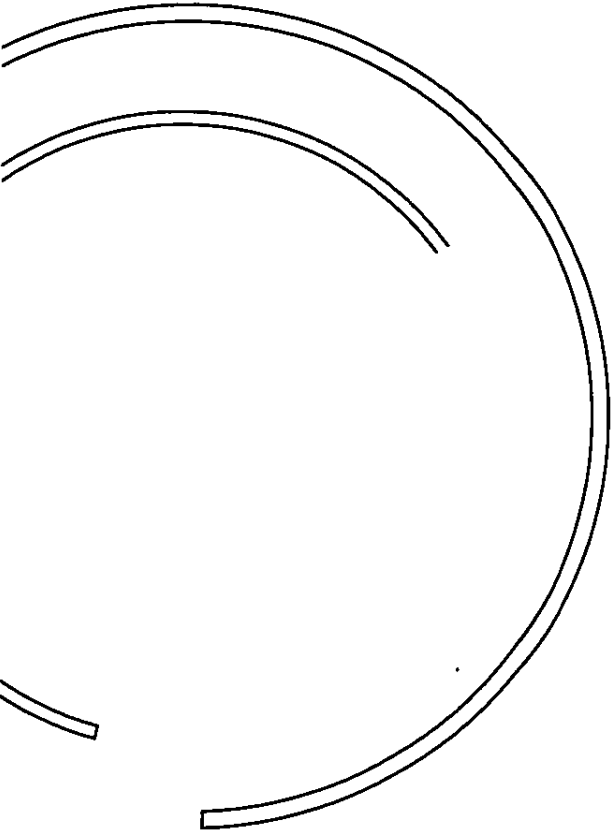
### Investec Limited

| Name                | Beneficially and non-beneficially held | Options | Share Matching Plan | Balance at 31 March 2009 | Balance at 31 March 2008 |
|---------------------|----------------------------------------|---------|---------------------|--------------------------|--------------------------|
| Executive directors |                                        |         |                     |                          |                          |
| S Koseff            | 1 899 330                              | -       | -                   | 1 899 330                | 980 910                  |
| B Kantor            | 5 301 000                              | -       | -                   | 5 301 000                | 5 001 000                |
| GR Burger           | 1 037 076                              | -       | -                   | 1 037 076                | 869 600                  |
| A Tapnack           | 340 607                                | -       | -                   | 340 607                  | 353 445                  |
| Total number        | 8 578 013                              | -       | -                   | 8 578 013                | 7 204 955                |

#### Notes

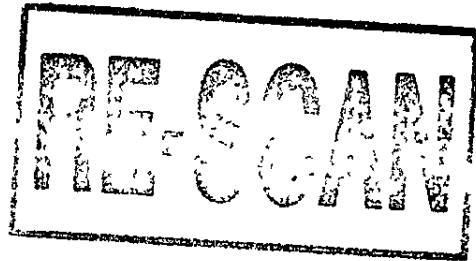
The total number of Investec plc and Investec Limited shares in issue as at 31 March 2009 was 444.9 million and 268.3 million, respectively. The market price of an Investec plc share as at 31 March 2009 was £2.92 (2008: £3.39), ranging from a low of £1.69 to a high of £4.21 during the financial year. The market price of an Investec Limited share as at 31 March 2009 was R38.86 (2008: R57.43), ranging from a low of R27.20 to a high of R63.19 during the financial year.





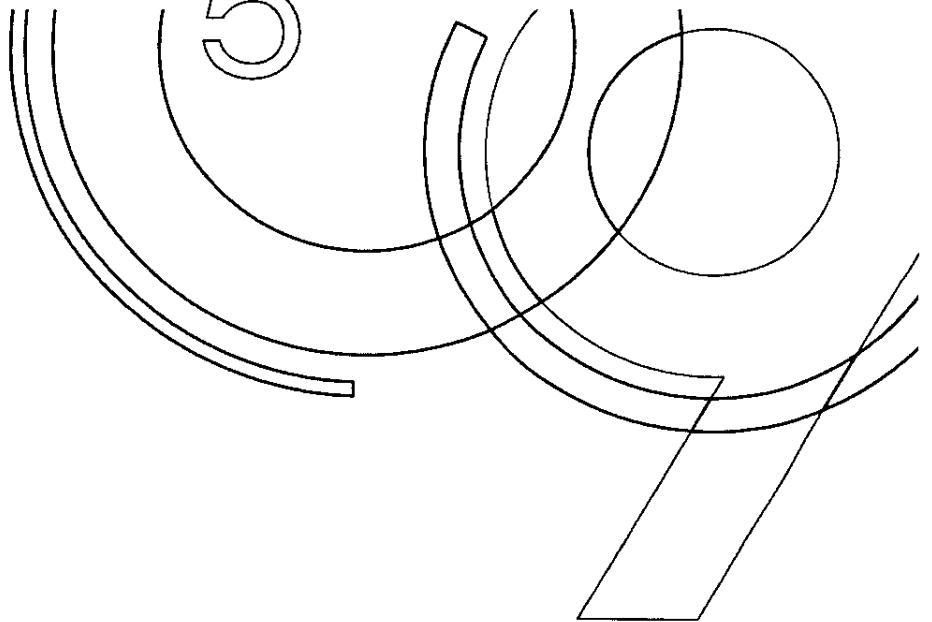
RE-SCAN

RE-SCAN



Our Business  
Responsibility

5



## Our Business Responsibility

### Taking stock

In a year of unprecedented distress within the global financial services industry, particularly the banks, the understanding of the word sustainability frequently narrowed to that of survival. As markets catapulted from one crisis to the next, banks everywhere hunkered down and tried to navigate through the ever-changing environment.

As the global banking crisis unfolded, known banking brands collapsed, the international investment banking model was wiped out, government intervention became the norm, heightened industry regulation became a distinct probability, massive bailout packages were required to ensure the ongoing viability of the international banking system and there was substantive talk around the need for a complete overhaul of the world economy's financial architecture.

Although the rapidly changing dynamics were mainly confined to those banks operating in the first world, the banking industry everywhere felt the effect of a dramatic squeeze in liquidity and near-paralysis from anxieties pertaining to banking counterparty risk. First-round effects of the global financial crisis gave rise to second-round effects of the global economic crisis where banks were once again exposed to credit defaults, bad debts and the impairments associated with a world economy in reverse.

As the period closed, banks everywhere were reeling from the blows of the previous 18 months and companies the world over were coming to terms with the toughest economic conditions in decades. Amid expectations that global sub-par economic growth would persist into an extended period, the crisis began to surface an attempt by some to de-bunk the merits of so-called corporate social responsibility. Risks were high that the previous mainstreaming of broader sustainability considerations within business would be rolled back, on the proposition that all that was likely to count over the short-to-medium term was sheer survival, or sustainability in the financial sense alone.

However, the tenets that underpin broader sustainability may actually have been strengthened by the events of the recent past. Since an excessive focus on the short-term may have been at the root cause of some developments that gave rise to the credit crisis in the first place, the case for the triple bottom line undoubtedly benefited from ensuing interrogation of the long-held market view of shareholder value maximisation. That is, the maximisation of shareholder value can no longer be seen as the sole guiding principle for corporate conduct.

At a time when the sustainability of the international banking system has been in question, banks can be forgiven for an unrelenting focus on their individual ability to survive. Banks have had to right themselves at a time when public trust in business in general and banks in particular, is very low. Banks have had to face the glare of intense media and stakeholder scrutiny and the popular perception that, banks themselves were partly responsible for the crisis. Stakeholders have since been vociferous in their condemnation of management, their criticism of prior banking practices and their contempt for the notion that "too big to fail" has had consequences for everyone except the banking industry itself.

Although the short-term immediacy of the credit crisis seems to be over, courtesy of the extensive stimulatory support measures in place by the global authorities, banks still have a number of much longer-term issues with which to contend. Whether in terms of the need to ride out the vagaries of a still very tough economic cycle, to re-establish the essence of their business models, to restore profitability levels, to ensure appropriate levels of capital adequacy or to re-build levels of public trust, reputational considerations within the industry are of uppermost importance. As banks everywhere seek to take the necessary steps to restore the perceived integrity of the industry, and to realign broad stakeholder interests with those of shareholders, they will not have the luxury of doing so out of the line of public sight.

Investec remains mindful of its broad obligations to society and all stakeholders. This is nothing new and has not merely been prompted by recent events. Investec has long identified, and acted on, its desire to do the right thing and be an effective corporate citizen. However, in keeping with its business model of highly autonomous and independent business units supported by a strong centre, Investec has chosen not to be prescriptive in this regard. As the different geographies have different operating environments, with differing areas of emphasis, we have chosen to give our geographies and business units the latitude to determine for themselves what this means, and to pursue accordingly.

For South Africa, being a good corporate citizen, in addition to sustaining a long history of financial success, means embracing the ongoing dynamics of a transforming country, bringing about a more representative workforce and using the resources available within the social investment space to address the country's recognised backlog of societal ills. More recently it has also meant trying to come to grips with climate change considerations in a country where social requirements (albeit not mutually exclusive) are often seen to be more pressing.



## Our Business Responsibility

Outside of the South African business, the pursuit of an active corporate citizenship role within Investec is perhaps less well advanced. This, for the most part, has reflected the relative newness of our other businesses and their need to grow, build critical mass and ensure the successful integration of acquired businesses. Over and above the imperative to sustain financial performance, extend brand franchise and attain optimal scale, these businesses have nonetheless sought to support the priorities identified within respective national policy agendas, of which climate change is an obvious example in both the UK and Australia.

In view of the emphasis placed on culture and values within Investec, invariably seen to be the DNA and lifeblood of the organisation, our sustainability approach is seen as a logical extension of who we are and how we go about things.

## Developments during the year

As Investec's annual financial results attest, the group proved both resilient and adept at withstanding the pressures that emanated both globally and in each of its geographies throughout the period. While there was unrelenting focus on the financial dimension of our sustainability endeavours during the period, our non-financial activities remained top of mind, albeit less aggressively driven in view of prevailing external circumstances.

Sustainability developments during the period include:

- a complete review and strategic re-positioning of our social investment activities
- the completion or near-completion of a carbon-footprinting exercise across all principal geographies
- the aggressive pursuit of a country-wide energy-saving campaign in South Africa
- the launch of a group-wide leadership development trajectory
- the formal creation of an elected and representative Employment Equity Forum in South Africa
- further UK audits on the environmental front
- an initial foray into the realm of alternative technology low-cost housing in South Africa
- the evolution of a more deeply engrained understanding of sustainability considerations within our risk environment and processes
- the advent of greater energy efficiency in the new extension to our head office building in Johannesburg

Over and above our chosen areas of emphasis during the period, we maintained our presence in the Dow Jones Sustainability Index and the JSE-SRI Index and, post the period close, were admitted to the UK's FTSE4Good Index. We enjoyed increased UK and European stakeholder and analyst interest in Investec's OBR activities.

## Looking ahead

A less volatile but still generally unaccommodating period can be expected. Continued uncertainty about the timing, extent and durability of international economic recovery means that the possibility of renewed market dislocation remains, with attendant consequences for overall activity levels. The prospect of political change in certain areas may herald changes on national policy agendas while scheduled international climate change negotiations could have far reaching implications for environmental policy.

In the face of widespread uncertainty, from many different sources, a near all-embracing focus on the financial dimensions of sustainability is expected to persist. However, seen as a cyclical, not structural, phenomenon, this represents no more than a shift in the balance of emphasis, all the while within the realm of the triple bottom line. The notion of corporate social responsibility is not in terminal decline. Rather it finds itself in remission, pending the return of a more conducive business operating environment.

For Investec, having weathered what seems to have been the worst of the financial inclemency, the group seems well poised, by virtue of its solid capital status and liquidity realities, to capitalise on the commercial opportunities that a slowly recovering international economy will provide. A fast-changing competitive landscape will elicit additional benefits in select areas.

In terms of our non-financial endeavours, we will continue to make incremental advances on many fronts. The year ahead is unlikely to elicit much in the way of dramatic change, with anticipated steady progress in respect of ongoing projects and previously earmarked objectives.

As fundamental inputs to the profit dimension of our activities, the disciplines of corporate governance and risk management, tried and tested during the most recent crisis and having proved to serve Investec extremely well, are well entrenched at Investec. Heightened global attention on these specific aspects of the triple bottom line has increased our desire to ensure outright consistency with international best practice and, where appropriate, to fine tune our processes.

## Our Business Responsibility

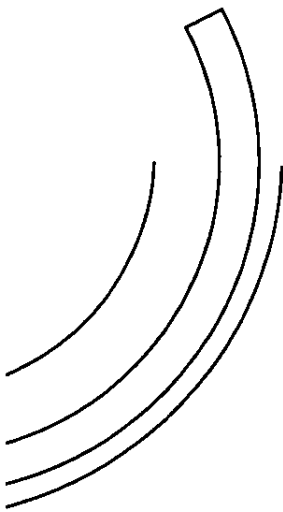
The people dimension of our OBR activities will continue to revolve, internally, around the successful recruitment, development, diversity and retention of talent within our employee base and, externally, around the developmental and goal-oriented aspects of our varying social investment activities. Similarly, within the planet dimension of our OBR activities, internal focus will be on continued behavioural change so as to reduce the size of our overall environmental footprint while our external focus will remain on the selective financing of alternative technologies.

In the same way that our banking activities are guided by a strong sense of commercial know-how, our sustainability activities are guided by the will to do what makes sense to the organisation. Reputation remains key and a finely-honed sensitivity to reputational risk management across all our businesses will continue to inform our sustainability approach and drive it in the appropriate manner. In so doing, we seek to balance, in so far as possible, our obligations to all stakeholders.

Detail pertaining to Investec's OBR activities can be accessed on [www.investec.com/en\\_za/#home/our\\_business\\_responsibility.html](http://www.investec.com/en_za/#home/our_business_responsibility.html). Our overall approach is based on the recognition that we are a niched and specialist bank driven by our culture and values, and guided by our in-house philosophy, which states:

"In pursuit of sustainable profits, we seek to be a positive influence in all our business activities, in each of the societies within which we operate. We do this by empowering communities through entrepreneurship and education, recognising the true value of diversity and addressing the challenge posed by climate change and our use of natural resources."





RE-SCAN

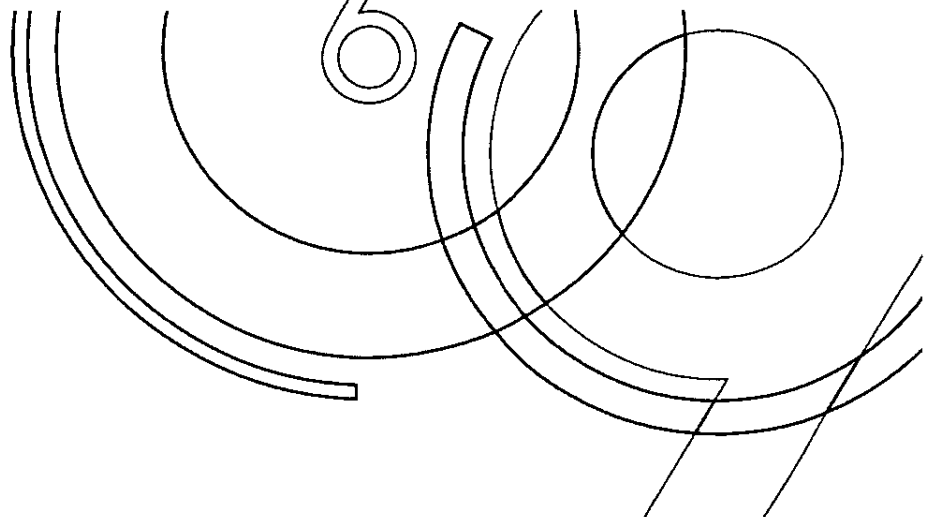
RE-SCAN

RE-SCAN

RE-SCAN

Additional information

6





## Shareholder analysis

We have implemented a Dual Listed Companies (DLC) structure in terms of which we have primary listings both in Johannesburg and London. Investec plc, which houses the majority of our non-Southern African businesses, was listed on the London Stock Exchange on 29 July 2002. Investec plc also has a secondary listing on the JSE Limited (JSE). Investec Limited, which houses our Southern African and Mauritius operations, has been listed in South Africa since 1986.

As at 31 March 2009 Investec plc and Investec Limited had 444.9 million and 268.3 million ordinary shares in issue, respectively.

### Spread of ordinary shareholders as at 31 March 2009

#### Investec plc ordinary shares in issue

| Number of shareholders | Holdings          | % of total shareholders | Number of shares in issue | % of issued share capital |
|------------------------|-------------------|-------------------------|---------------------------|---------------------------|
| 6 713                  | 1 to 500          | 32.6                    | 1 934 528                 | 0.4                       |
| 4 779                  | 501 to 1 000      | 23.2                    | 3 817 360                 | 0.9                       |
| 6 171                  | 1 001 to 5 000    | 30.0                    | 14 499 833                | 3.3                       |
| 1 092                  | 5 001 to 10 000   | 5.3                     | 8 157 375                 | 1.8                       |
| 1 683                  | 10 001 to 50 000  | 8.2                     | 112 228 388               | 25.2                      |
| 68                     | 50 001 to 100 000 | 0.4                     | 49 770 375                | 11.2                      |
| 64                     | 100 001 and over  | 0.3                     | 254 529 379               | 57.2                      |
| 20 570                 |                   | 100.0                   | 444 937 238               | 100.0                     |

#### Investec Limited ordinary shares in issue

| Number of shareholders | Holdings          | % of total shareholders | Number of shares in issue | % of issued share capital |
|------------------------|-------------------|-------------------------|---------------------------|---------------------------|
| 4 578                  | 1 to 500          | 41.4                    | 1 132 202                 | 0.4                       |
| 2 293                  | 501 to 1 000      | 20.8                    | 1 789 206                 | 0.7                       |
| 2 784                  | 1 001 to 5 000    | 25.2                    | 6 311 039                 | 2.4                       |
| 515                    | 5 001 to 10 000   | 4.7                     | 3 836 873                 | 1.4                       |
| 545                    | 10 001 to 50 000  | 4.9                     | 12 164 365                | 4.5                       |
| 129                    | 50 001 to 100 000 | 1.2                     | 9 370 941                 | 3.5                       |
| 206                    | 100 001 and over  | 1.8                     | 233 730 631               | 87.1                      |
| 11 050                 |                   | 100.0                   | 268 335 257               | 100.0                     |

### Shareholder classification as at 31 March 2009

|                                                            | Investec plc<br>number of<br>shares | % holding | Investec<br>Limited<br>number of<br>shares | % holding |
|------------------------------------------------------------|-------------------------------------|-----------|--------------------------------------------|-----------|
| Public*                                                    | 411 826 051                         | 92.6      | 193 335 408                                | 72.1      |
| Non-public                                                 | 33 111 187                          | 7.4       | 74 999 849                                 | 27.9      |
| Non-executive directors of Investec plc/Investec Limited** | 3 359 165                           | 0.7       | 3 026 000                                  | 1.1       |
| Executive directors of Investec plc/ Investec Limited      | 7 045 943                           | 1.6       | 8 578 013                                  | 3.2       |
| Investec staff share schemes                               | 22 706 079                          | 5.1       | 36 340 281                                 | 13.5      |
| PEU INL Investment 1 (Pty) Ltd **                          | -                                   | -         | 13 055 555                                 | 4.9       |
| Tiso INL Investments (Pty) Ltd **                          | -                                   | -         | 14 000 000                                 | 5.2       |
| Total                                                      | 444 937 238                         | 100.0     | 268 335 257                                | 100.0     |

\* As per the JSE listing requirements

\*\* In November 2003, Investec implemented an empowerment transaction. The shareholding held by MP Malungani (non-executive director of Investec) is shown under the holding of PEU INL Investment 1 (Pty) Ltd.

## Shareholder analysis

### Largest shareholders as at 31 March 2009

In accordance with the terms provided for in Section 793 of the UK Companies Act 2006 and Section 140A of the South African Companies Act 1973 the group has conducted investigations into the registered holders of its ordinary shares (including nominee and asset management companies) and the results are as disclosed below

#### Investec plc

| Shareholder analysis by manager group      | Number of shares | % holding |
|--------------------------------------------|------------------|-----------|
| 1 PIC (ZA)                                 | 37 643 896       | 8.5       |
| 2 Old Mutual Asset Managers (ZA)           | 33 107 398       | 7.4       |
| 3 Investec Securities (Pty) Limited (ZA)*  | 24 363 100       | 5.5       |
| 4 Investec Staff Share Schemes (ZA and UK) | 22 706 079       | 5.1       |
| 5 Legal & General Investment Mgmt Ltd (UK) | 18 356 041       | 4.1       |
| 6 RMB Asset Management (ZA)                | 18 116 305       | 4.1       |
| 7 J P Morgan Asset Management (UK)         | 15 411 731       | 3.5       |
| 8 Coronation Fund Managers (ZA)            | 14 108 806       | 3.2       |
| 9 Polaris Capital (Pty) Limited (ZA)       | 13 556 175       | 3.0       |
| 10 Schroder Investments (UK)               | 10 360 243       | 2.3       |
| Cumulative total                           | 207 729 774      | 46.7      |

The top 10 shareholders account for 46.7% of the total shareholding in Investec plc. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

#### Investec Limited

| Shareholder analysis by manager group      | Number of shares | % holding |
|--------------------------------------------|------------------|-----------|
| 1 PIC (ZA)                                 | 40 439 405       | 15.1      |
| 2 Investec Staff Share Schemes (ZA)        | 36 340 281       | 13.5      |
| 3 Old Mutual Asset Managers (ZA)           | 18 360 474       | 6.8       |
| 4 Tiso INL Investments (Pty) Ltd (ZA)**    | 14 000 000       | 5.2       |
| 5 Entrepreneurial Development Trust (ZA) * | 14 000 000       | 5.2       |
| 6 PEU INL Investment 1 (Pty) Ltd (ZA)**    | 13 055 555       | 4.9       |
| 7 Coronation Fund Managers (ZA)            | 9 686 030        | 3.6       |
| 8 Investec Securities (Pty) Limited (ZA)*  | 8 320 456        | 3.1       |
| 9 STANLIB Asset Management (ZA)            | 7 512 249        | 2.8       |
| 10 Barclays Global Investors (US and UK)   | 7 215 071        | 2.7       |
| Cumulative total                           | 168 929 521      | 62.9      |

The top 10 shareholders account for 62.9% of the total shareholding in Investec Limited. This information is based on a threshold of 20 000 shares. Some major fund managers hold additional shares below this, which may cause the above figures to be marginally understated.

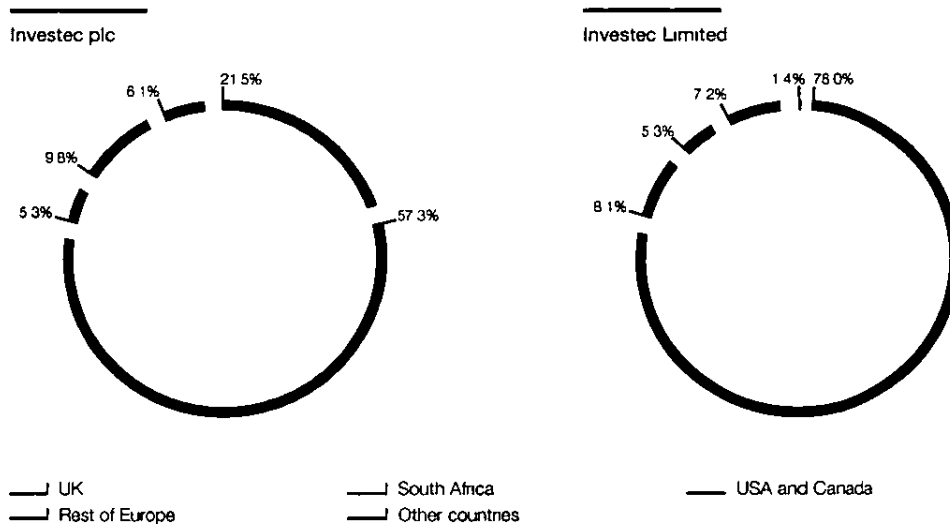
\* Managed on behalf of clients

\*\* In November 2003, Investec Limited implemented an empowerment transaction in which empowerment partners and an employee share scheme acquired 25.1% of the equity shareholding in Investec Limited.

Additional information

## Shareholder analysis

### Geographic holding by beneficial owner as at 31 March 2009



## Share statistics

### Investec plc ordinary shares in issue

| For the year ended 31 March <sup>1</sup>                      | 2009    | 2008    | 2007    | 2006    | 2005  | 2004  | 2003  |
|---------------------------------------------------------------|---------|---------|---------|---------|-------|-------|-------|
| Closing market price per share (Pounds Sterling) <sup>2</sup> |         |         |         |         |       |       |       |
| - year end                                                    | 2.92    | 3.39    | 6.58    | 5.88    | 3.11  | 2.18  | 1.23  |
| - highest                                                     | 4.21    | 7.65    | 6.76    | 6.07    | 3.47  | 2.36  | 1.92  |
| - lowest                                                      | 1.69    | 2.94    | 4.95    | 3.04    | 1.84  | 1.22  | 1.21  |
| Number of ordinary shares in issue (million) <sup>2</sup>     | 444.9   | 423.3   | 381.6   | 373.0   | 373.0 | 373.0 | 373.0 |
| Market capitalisation (£'million) <sup>3</sup>                | 1,299   | 1,435   | 2,511   | 2,194   | 1,160 | 812   | 459   |
| Daily average volume of shares traded ('000)                  | 2,603.6 | 3,925.9 | 2,832.5 | 1,489.0 | 741.0 | 498.0 | 349.5 |
| Price earnings ratio <sup>4</sup>                             | 6.9     | 6.0     | 12.4    | 14.0    | 11.6  | 10.5  | 6.3   |
| Dividend cover (times) <sup>4</sup>                           | 3.3     | 2.3     | 2.3     | 2.3     | 2.0   | 1.8   | 1.8   |
| Dividend yield (%) <sup>4</sup>                               | 4.5     | 7.4     | 3.5     | 3.1     | 4.3   | 5.3   | 8.8   |
| Earnings yield (%) <sup>4</sup>                               | 14.5    | 16.7    | 8.1     | 7.1     | 8.6   | 9.5   | 15.6  |

### Investec Limited ordinary shares in issue

| For the year ended 31 March <sup>1</sup>                  | 2009    | 2008   | 2007   | 2006   | 2005   | 2004   | 2003  |
|-----------------------------------------------------------|---------|--------|--------|--------|--------|--------|-------|
| Closing market price per share (Rands) <sup>2</sup>       |         |        |        |        |        |        |       |
| - year end                                                | 38.86   | 57.43  | 93.30  | 62.60  | 35.60  | 25.06  | 15.30 |
| - highest                                                 | 63.19   | 104.40 | 94.60  | 66.50  | 38.00  | 30.20  | 34.88 |
| - lowest                                                  | 27.20   | 50.90  | 59.06  | 34.10  | 21.56  | 15.50  | 15.30 |
| Number of ordinary shares in issue (million) <sup>2</sup> | 268.3   | 234.3  | 227.7  | 220.0  | 220.0  | 220.0  | 192.0 |
| Market capitalisation (R'million) <sup>5</sup>            | 27,715  | 37,766 | 56,848 | 37,121 | 21,111 | 14,860 | 8,645 |
| Market capitalisation (£'million)                         | 2,083   | 2,229  | 4,009  | 3,488  | 1,844  | 1,292  | 695   |
| Daily average volume of shares traded ('000)              | 1,167.8 | 840.6  | 619.7  | 478.0  | 510.5  | 495.0  | 527.0 |

#### Notes

<sup>1</sup> Investec plc has been listed on the LSE since 29 July 2002

<sup>2</sup> On 4 September 2006 the group implemented a 5:1 share split of Investec plc and Investec Limited shares. Historical information has been restated for comparative purposes.

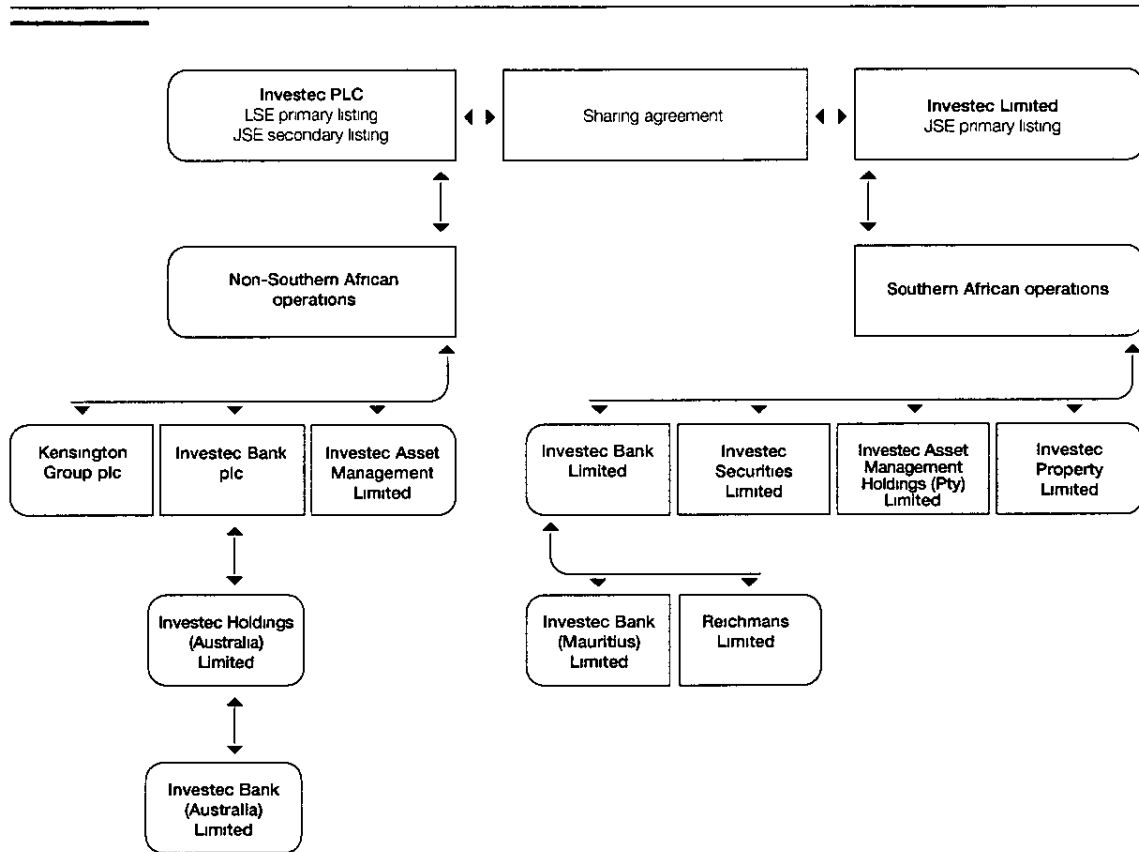
<sup>3</sup> The LSE only include the shares in issue for Investec plc i.e. 444.9 million in calculating market capitalisation, as Investec Limited is not incorporated in the UK.

<sup>4</sup> Calculations are based on the group's consolidated earnings per share before goodwill and non-operating items and dividends per share as prepared in accordance with IFRS and denominated in Pounds Sterling.

<sup>5</sup> The JSE have agreed to use the total number of shares in issue for the combined group comprising Investec Limited and Investec plc in calculating market capitalisation i.e. a total of 713.2 million shares in issue.

## Operational structure

The diagram below depicts our DLC structure and our main operating subsidiaries



### Note

All shareholdings in the ordinary share capital of the subsidiaries are 100%, unless otherwise stated

The directorate of the main operating entities and subsidiaries are indicated on the pages that follow

## Directorate Investec plc and Investec Limited

### Executive directors

| Name                                                             | Age at<br>31 March<br>2009 | Qualifications               | Current directorships                                                                                           | Investec committee<br>membership                                    | Brief biography                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------------------------------------|----------------------------|------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Chief<br/>Executive<br/>Officer</b><br>Stephen Koseff         | 57                         | BCom CA(SA)<br>H Dip BDP MBA | The Bidvest Group<br>Limited, Rensburg<br>Sheppard's plc and a<br>number of Investec<br>subsidiaries            | Board Risk and<br>Capital Committee<br>and DLC Capital<br>Committee | Stephen joined Investec in 1980. He has<br>had diverse experience within Investec<br>as Chief Accounting Officer and General<br>Manager of Banking, Treasury and<br>Merchant Banking.                                                                                                                                                                                                       |
| <b>Managing<br/>Director</b><br>Bernard Kantor                   | 59                         | CTA                          | Phumelela Gaming<br>and Leisure Limited,<br>Rensburg Sheppard's<br>plc and a number of<br>Investec subsidiaries | Board Risk and<br>Capital Committee<br>and DLC Capital<br>Committee | Bernard joined Investec in 1980. He has<br>had varied experience within Investec<br>as a Manager of the Trading division,<br>Marketing Manager and Chief Operating<br>Officer.                                                                                                                                                                                                              |
| <b>Group Risk<br/>and Finance<br/>Director</b><br>Glynn R Burger | 52                         | BAcc CA(SA)<br>H Dip BDP MBL | Investec Bank Limited<br>and a number of<br>Investec subsidiaries                                               | Board Risk and<br>Capital Committee<br>and DLC Capital<br>Committee | Glynn joined Investec in 1980. His<br>positions within Investec have included<br>Chief Accounting Officer, Group Risk<br>Manager and Joint Managing Director<br>for South Africa.                                                                                                                                                                                                           |
| Alan Tapnack                                                     | 62                         | BCom CA(SA)                  | Investec Bank plc<br>and most of Investec<br>plc's subsidiaries                                                 | Board Risk and<br>Capital Committee<br>and DLC Capital<br>Committee | Alan is a former partner of<br>Pricewaterhouse and former Managing<br>Director of Grey Phillips Bunton Mundell<br>and Blake, a leading South African<br>marketing services group. Alan joined<br>Investec in 1991 and has held the<br>positions of Chief Finance Officer and<br>Chief Executive Officer of Investec<br>Bank plc and Chief Executive Officer of<br>Investec's UK operations. |



## Directorate Investec plc and Investec Limited

### Non-executive directors

| Name                                          | Age at<br>31 March<br>2009 | Qualifications              | Current directorships                                                                                                                                                                                                                                                                                                 | Investec committee<br>membership                                                                                                                                                                                                | Brief biography                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------|----------------------------|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Non-executive<br>Chairman<br>Hugh S<br>Herman | 68                         | BA LLB LLD (hc)             | Growthpoint<br>Properties Limited,<br>Pick 'n Pay Holdings<br>Limited, Pick 'n Pay<br>Stores Limited and a<br>number of Investec<br>subsidiaries                                                                                                                                                                      | DLC Nominations<br>and Directors' Affairs<br>Committee                                                                                                                                                                          | Hugh practised as an attorney before<br>joining Pick 'n Pay, a leading South<br>African retail group where he became<br>Managing Director                                                                                                                                                       |
| Sam E<br>Abrahams                             | 70                         | FCA CA(SA)                  | Investec Bank<br>Limited Foschini<br>Limited and Super<br>Group Limited                                                                                                                                                                                                                                               | DLC Audit<br>Committee, Investec<br>plc Audit Committee,<br>Investec Limited<br>Audit Committee,<br>DLC Nominations<br>and Directors' Affairs<br>Committee, Board<br>Risk and Capital<br>Committee and DLC<br>Capital Committee | Sam is a former international partner<br>and South African Managing Partner of<br>Arthur Andersen                                                                                                                                                                                               |
| George FO<br>Alford                           | 60                         | BSc (Econ) FCIS<br>FIPD MSI | Investec Bank plc                                                                                                                                                                                                                                                                                                     | DLC Audit<br>Committee Investec<br>plc Audit Committee,<br>Investec Limited<br>Audit Committee,<br>Remuneration<br>Committee and<br>Board Risk and<br>Capital Committee                                                         | George is a former Head of Private<br>Banking and Personnel at Kleinwort<br>Benson Group and was a senior advisor<br>to the UK Financial Services Authority                                                                                                                                     |
| Cheryl A<br>Carolus                           | 50                         | BA (Law) B Ed               | De Beers<br>Consolidated Mines<br>Limited, The IQ<br>Business Group<br>(Pty) Limited, Fenner<br>Conveyor Belting<br>South Africa (Pty)<br>Limited, Ponahalo<br>Capital (Pty) Ltd,<br>Investec Asset<br>Management<br>Holdings (Pty) Ltd<br>and Executive<br>Chairperson of<br>Peotona Group<br>Holdings (Pty) Limited | -                                                                                                                                                                                                                               | Cheryl acted as the South African High<br>Commissioner to London between 1998<br>to 2001 and was Chief Executive Officer<br>of South African Tourism                                                                                                                                            |
| Haruko Fukuda<br>OBE                          | 62                         | MA (Cantab) DSc             | Director of<br>Aberdeen Asian<br>Smaller Companies<br>Investment Trust<br>PLC She is an<br>adviser to Metro<br>AG and to Binari<br>Industries of India                                                                                                                                                                | -                                                                                                                                                                                                                               | Haruko was previously Chief Executive<br>Officer of the World Gold Council, and<br>senior advisor at Lazard She is former<br>vice Chairman of Nikko Europe plc and<br>a partner of James Capel & Co and<br>a former director of AB Volvo and of<br>Foreign and Colonial Investment Trust<br>plc |

## Directorate Investec plc and Investec Limited

### Non-executive directors

| Name                                                      | Age at<br>31 March<br>2009 | Qualifications | Current directorships                                                                                                                                                                                                                                 | Investec committee<br>membership                                                                                                                                                                                                    | Brief biography                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------|----------------------------|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Geoffrey MT<br>Howe                                       | 59                         | MA (Hons)      | Jardine Lloyd<br>Thompson Group<br>plc (Chairman) and<br>Nationwide Building<br>Society (Chairman)                                                                                                                                                    | DLC Audit<br>Committee, Investec<br>plc Audit Committee,<br>Investec Limited<br>Audit Committee<br>Remuneration<br>Committee and<br>Board Risk and<br>Capital Committee                                                             | Geoffrey is a former Managing Partner<br>of Clifford Chance LLP and was Director<br>and Group General Counsel of Robert<br>Fleming Holdings Ltd. He is also a<br>former Chairman of Railtrack Group plc                                                                                                                       |
| Ian R Kantor                                              | 62                         | BSc (Eng) MBA  | Insinger de Beaufort<br>Holdings SA (in<br>which Investec holds<br>a 9.2% interest),<br>Bank Insinger de<br>Beaufort NV where<br>he is Chairman of the<br>management board                                                                            | -                                                                                                                                                                                                                                   | Former Chief Executive of Investec<br>Limited                                                                                                                                                                                                                                                                                 |
| Senior<br>independent<br>director<br>Sir Chips<br>Keswick | 69                         | -              | Investec Bank plc,<br>De Beers SA, Arsenal<br>Holdings Plc and<br>Arsenal Football Club<br>Plc                                                                                                                                                        | DLC Audit<br>Committee, Investec<br>plc Audit Committee,<br>Investec Limited<br>Audit Committee,<br>Remuneration<br>Committee, DLC<br>Nominations and<br>Directors' Affairs<br>Committee and<br>Board Risk and<br>Capital Committee | Sir Chips is former Chairman of<br>Hambros Bank Limited and Hambros<br>PLC and a former director of Anglo<br>American plc. He was on the Court of<br>the Bank of England                                                                                                                                                      |
| M Peter<br>Malungani                                      | 51                         | BCom MAP LDP   | Super Group<br>Limited (Chairman)<br>Phumelela Gaming<br>and Leisure<br>Limited (Chairman),<br>Investec Bank<br>Limited, Investec<br>Asset Management<br>Holdings (Pty)<br>Limited, Peu Group<br>(Pty) Limited and<br>a number of Peu<br>subsidiaries | Board Risk and<br>Capital Committee                                                                                                                                                                                                 | Peter is Chairman and founder of Peu<br>Group (Pty) Limited                                                                                                                                                                                                                                                                   |
| Sir David<br>Prosser                                      | 65                         | BSc (Hons) FIA | Pippbrook Limited<br>Epsom Downs<br>Racecourse Limited<br>and The Royal<br>Automobile Club<br>Limited                                                                                                                                                 | DLC Audit<br>Committee, Investec<br>plc Audit Committee<br>and Investec Limited<br>Audit Committee                                                                                                                                  | Sir David was previously Chief Executive<br>of Legal & General Group PLC, joining<br>Legal & General in 1988 as Group<br>Director (Investments) becoming Deputy<br>Chief Executive in January 1991 and<br>Group Executive in September 1991. Sir<br>David was previously Chairman of the<br>Financial Services Skills Council |

Additional information



## Directorate Investec plc and Investec Limited

### Non-executive directors

| Name               | Age at<br>31 March<br>2009 | Qualifications       | Current directorships                                                                                       | Investec committee<br>membership                                                                                                                                                                                                                                                   | Brief biography                                                                                   |
|--------------------|----------------------------|----------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
| Peter RS<br>Thomas | 64                         | CA(SA)               | Investec Bank<br>Limited, various<br>Investec companies<br>and JCI Limited                                  | DLC Audit<br>Committee, Investec<br>plc Audit Committee,<br>Investec Limited Audit<br>Committee, Board<br>Risk and Capital<br>Committee and<br>DLC Nominations<br>and Directors'<br>Affairs Committee<br>Peter is the director<br>responsible for<br>our Sustainability<br>process | Peter was the former Managing Director<br>of The Unisec Group Limited                             |
| Fani Titi          | 46                         | BSc (Hons) MA<br>MBA | Investec Bank Limited<br>(Chairman), AECI<br>Limited and Investec<br>Asset Management<br>Holdings (Pty) Ltd | Board Risk and<br>Capital Committee<br>and DLC Nominations<br>and Directors' Affairs<br>Committee                                                                                                                                                                                  | Fani is Chairman of Investec Bank<br>Limited and was the former Chairman of<br>Tiso Group Limited |

#### Notes

- The dates on which the directors were appointed to the boards of Investec plc and Investec Limited can be found on page 172
- Details of the Investec committees can be found on pages 176 to 181



## Directorate

### Investec Bank Limited

A subsidiary of Investec Limited

Fani Titl (46)  
BSc (Hons) MA MBA  
Non-Executive Chairman

David M Lawrence (58)  
BA(Econ) (Hons) MCom  
Deputy Chairman

Sam E Abrahams (70)  
FCA CA(SA)

Glynn R Burger (52)  
BAcc CA(SA) H Dip BDP MBL

Richard MW Dunne (60)\*  
CA(SA)

Bernard Kantor (59)  
CTA

Stephen Koseff (57)  
BCom CA(SA) H Dip BDP MBA

M Peter Malungani (51)  
BCom MAP LDP

Karl-Bart XT Socikwa (40)  
BCom LLB MAP

Bradley Tapnack (62)  
BCom CA(SA)

Peter R S Thomas (64)  
CA(SA)

C Busi Tshili (45)  
CA(SA)

\* Appointed with effect from 2 June 2008

### Investec Asset Management Holdings (Pty) Limited

A subsidiary of Investec Limited

Hugh S Herman (68)  
BA LLB LLD (hc)  
Non-Executive Chairman

Hendrik J du Toit (47)  
BCom (Law) BCom Hons (cum laude) MCom (cum laude) MPhil  
(Cambridge)  
Chief Executive Officer

Cheryl A Carolus (50)  
BA (Law) B Ed

Gail Daniel (41)  
BA (Hons) MBA

Domenico Ferrini (40)  
BCom

Jeremy B Gardiner (43)\*\*  
BCom (Hons)

Noluthando P Gosa (46)  
BA (Hons) MBA

John C Green (43)  
BCom LLB

Bernard Kantor (59)  
CTA

Thabo Khojane (36)  
BA (Econ) (Hons) BSc (Eng)

Stephen Koseff (57)  
BCom CA(SA) H Dip BDP MBA

M Peter Malungani (51)  
BCom MAP LDP

Kim M McFarland (44)  
BAcc BCom CA(SA) MBA

John T McNab (42)  
BEng MEng CFA

Bradley Tapnack (62)  
BCom CA(SA)

Fani Titl (46)  
BSc (Hons) MA MBA

\*\* Appointed with effect from 1 April 2008



## Directorate

### Investec Securities Limited A subsidiary of Investec Limited

Andrew WJ Leith (49)  
BCom CA(SA)  
Chairman

Sam E Abrahams (70)  
FCA CA(SA)

Reginald S Berkowitz (72)  
Natal Law Certificate

Henry E Blumenthal (49)  
BCom BAcc CA(SA)

Kevin Brady (42)  
BA (Hons)

Joubert D Hay (43)  
BCom (Hons) (Acc) CA(SA)

Stephen Koseff (57)  
BCom CA(SA) H Dip BDP MBA

Kevin P McKenna (42)  
BCom BAcc CA(SA)

JKC Whelan (45)  
CA (Irish) H Dip Tax

### Investec Bank (Mauritius) Limited A subsidiary of Investec Bank Limited

David M Lawrence (58)  
BA(Econ) (Hons) MCom  
Chairman

Pierre de Chasteigner du Mee (56)  
ACEA FBIM FMAAT

Angelique A Desvaux de Marigny (33)  
LLB Barrister-at-Law  
Maitrise en Droit (Universite de Paris I-Panthéon  
- Sorbonne)

Hugh S Herman (68)\*  
BA LLB LLD (hc)

Craig C McKenzie (48)  
BSc MSc CFA

Peter RS Thomas (64)  
CA(SA)

David M van der Walt (44)\*\*  
BCom (Hons) CA(SA)

\* Resigned on 17 July 2008

\*\* Resigned on 13 February 2009

### Investec Property Limited A subsidiary of Investec Limited

Stephen Koseff (57)  
BCom CA(SA) H Dip BDP MBA  
Chairman

Glynn R Burger (52)  
BAcc CA(SA) H Dip BDP MBL

Angelique N Du Hecquet de Rauville (34)  
BSSc FSA FSB

Dave AJ Donald (58)  
BCom CA(SA) H Dip Tax Law

Sam Hackner (53)  
BCom (Hons) CA(SA)

Sam R Leon (59)  
LLB (London)

Robin Magid (36)  
BCom

David M Nurek (59)  
Dip Law Dip Advanced Company Law

Ronnie Sevitz (65)

### Investec Bank plc A subsidiary of Investec plc

Hugh S Herman (68)  
BA LLB LLD (hc)  
Non-Executive Chairman

Bradley Fried (43)  
BCom CA(SA) MBA  
Chief Executive Officer

George F O Alford (60)  
BSc (Econ) FCIS FIPD MSI

Bernard Kantor (59)  
CTA

Ian R Kantor (62)  
BSc (Eng) MBA

Sir Chips Keswick (69)

Stephen Koseff (57)  
BCom CA(SA) H Dip BDP MBA

Alan Tapnack (62)  
BCom CA(SA)

David M van der Walt (44)  
BCom (Hons) CA(SA)

Ian R Wohlman (54)  
ACIB

## Directorate

### Investec Asset Management Limited

A subsidiary of Investec plc

**Hugh S Herman (68)**  
BA LLB LLD (hc)  
Non-Executive Chairman

**Hendrik J du Toit (47)**  
BCom (Law) BCom Hons (cum laude)  
M Com (cum laude) MPhil (Cambridge)  
Chief Executive Officer

**David J Aird (42)**  
BA (Hons)

**Domenico Ferrini (40)**  
BCom

**Howard E Flight (60)**  
MA MBA

**Luc JJJ van Hoof (56)**

**Bernard Kantor (59)**  
CTA

**Stephen Koseff (57)**  
BCom CA(SA) H Dip BDP MBA

**Kim M McFarland (44)**  
BAcc BCom CA(SA) MBA

**Mark I Samuelson (44)**  
BCom CFA

**Philip GS Saunders (51)**  
MA (Hons)

**Bradley Tapnack (62)**  
BCom CA(SA)

### Investec Bank (Australia) Limited

A subsidiary of Investec Bank plc

**David M Gonski (55)**  
BCom LLB  
Non-Executive Chairman

**Geoffrey Levy AO (50)**  
BCom LLB FFIN  
Non-Executive Deputy Chairman

**Brian M Schwartz (56)\***  
FCA  
Chief Executive Officer

**Alan H Chonowitz (54)**  
BAcc MCom CA

**Stephen Koseff (57)**  
BCom CA(SA) H Dip BDP MBA

**Richard A Longes (63)**  
BA LLB MBA

**Robert C Mansfield AO (57)**  
BCom FCPA

**John W Murphy (56)**  
BCom MCom ACA FCPA

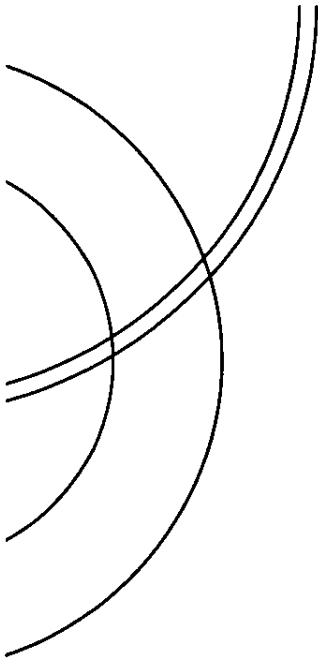
**Kathryn Spargo (57)**  
BA LLB (Hons) FAICD

**Bradley Tapnack (62)**  
BCom CA(SA)

**Peter RS Thomas (64)**  
CA(SA)

\* Resigned with effect from 31 March 2009. David Clarke was appointed as Chief Executive Officer with effect from 1 June 2009.





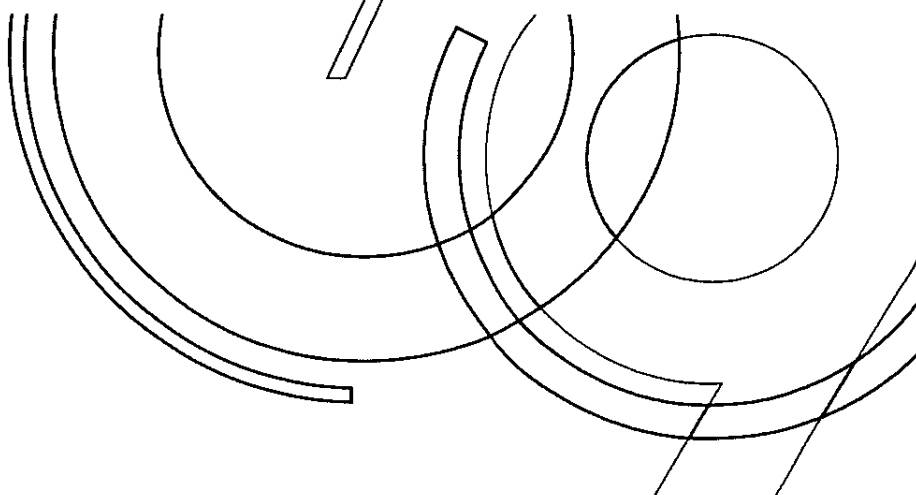
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Financial statements 7



# Directors' Report

## Extended business review

We are an international, specialist banking group 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 markets. We are organised into five principal business divisions: Private Client Activities, Capital Markets, Investment Banking, Asset Management and Property Activities. In addition, our head office provides certain group-wide integrating functions such as Risk Management, Information Technology, Finance, Investor Relations, Marketing, Human Resources and Organisational Development. It is also responsible for our central funding as well as other activities, such as trade finance.

The Operating Financial Review on pages 8 to 10 provides an overview of our strategic position, performance during the financial year and outlook for the business. It should be read in conjunction with the sections on pages 11 to 225 which elaborate on the aspects highlighted in this review.

The Directors' Report deals with the requirements of the combined consolidated Investec group, comprising the legal entities Investec plc and Investec Limited.

## Authorised and issued share capital

### Investec plc and Investec Limited

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

#### Investec plc

During the year the following shares were issued:

- 854 869 ordinary shares on 23 May 2008 at 256 pence per share
- 1 109 184 special converting shares on 23 May 2008 at par
- 9 300 000 special converting shares on 27 June 2008 at par
- 17 869 970 special converting shares on 1 August 2008 at par
- 1 147 258 special converting shares on 21 November 2008 at par
- 762 870 ordinary shares on 21 November 2008 at 206 pence per share
- 4 422 478 special converting shares on 20 March 2009 at par
- 175 053 special converting shares on 31 March 2009 at par
- 10 000 000 ordinary shares on 31 March 2009 at 279 pence per share
- 10 000 000 ordinary shares on 31 March 2009 at 268 pence per share

#### Investec Limited

During the year the following shares were issued:

- Allotment and issue on 23 May 2008 of 1 109 184 ordinary shares of R0.0002 each at a premium of R35.3398 per share (total issue price of R35.34 per share)
- Allotment and issue on 23 May 2008 of 854 869 special convertible redeemable preference shares of R0.0002 each
- Conversion of 880 000 Series 1 debentures to 4 400 000 ordinary shares of R0.0002 each issued at a premium of R34.9998 per share (total issue price of R35.00 per share)
- Conversion of 980 000 Series 2 debentures to 4 900 000 ordinary shares of R0.0002 each issued at a premium of R45.9998 per share (total issue price of R46.00 per share)
- Allotment on 31 July 2008 and issue on 1 August 2008 of 17 869 970 ordinary shares of R0.0002 plus a premium of R15.7998 per share (total issue price of R15.80 per share)
- Allotment and issue on 21 November 2008 of 1 147 258 ordinary shares of R0.0002 each at a premium of R28.5698 per share (total issue price of R28.57 per share)
- Allotment and issue on 21 November 2008 of 762 870 special convertible redeemable preference shares of R0.0002 each
- Allotment and issue on 20 March 2009 of 4 422 478 ordinary shares of R0.0002 each at a premium of R39.9998 (total issue price of R40.00 per share)
- Allotment and issue on 30 March 2009 of 175 053 ordinary shares of R0.0002 each at a premium of R38.9998 (total issue price of R39.00 per share)
- Allotment and issue on 31 March 2009 of 20 000 000 special convertible redeemable preference shares of R0.0002 each

## Financial results

The combined results of Investec plc and Investec Limited are set out in the financial statements and accompanying notes for the year ended 31 March 2009.



## Directors' Report

### Ordinary dividends

#### Investec plc

An interim dividend was declared to shareholders as follows

- 8.0 pence per ordinary share to non-South African resident shareholders (2008 11.5 pence) registered on 12 December 2008
- to South African resident shareholders registered on 12 December 2008, a dividend paid by Investec Limited on the SA DAS share equivalent to 128.0 cents per ordinary share and 8.0 pence per ordinary share paid by Investec plc

The dividends were paid on 12 December 2008

The directors have proposed a final dividend to shareholders registered on 31 July 2009, which is subject to the approval of the members of Investec plc at the Annual General Meeting which is scheduled to take place on 13 August 2009 and, if approved, will be paid on 18 August 2009 as follows

- 5.0 pence per ordinary share to non-South African resident shareholders (2008 13.5 pence) registered on 31 July 2009
- to South African resident shareholders registered on 31 July 2009, a dividend paid by Investec Limited on the SA DAS share, equivalent to 66.0 cents per ordinary share and 5.0 pence per ordinary share paid by Investec plc

Shareholders in Investec plc will receive a distribution of 5.0 pence (2008 13.5 pence) per ordinary share

#### Investec Limited

An interim dividend of 128.0 cents per ordinary share (2008 159.5 cents) was declared to shareholders registered on 12 December 2008 and was paid on 19 December 2008

The directors have proposed a final dividend of 66.0 cents per ordinary share (2008 202.0 cents) to shareholders registered on 31 July 2009 to be paid on 18 August 2009. The final dividend is subject to the approval of members of Investec Limited at the Annual General Meeting scheduled for 13 August 2009

### Preference dividends

#### Investec plc

##### Perpetual preference shares

Preference dividend number 5 for the period 1 April 2008 to 30 September 2008, amounting to 30.14 pence per share was declared to members holding preference shares registered on 28 November 2008 and was paid on 9 December 2008

Preference dividend number 6 for the period 1 October 2008 to 31 March 2009, amounting to 16.03 pence per share was declared to members holding preference shares registered on 19 June 2009 and will be paid on 2 July 2009

##### Preferred securities

The fourth annual distribution, fixed at 7.075 per cent, on the €200 million fixed/floating rate, guaranteed, non-voting, non-cumulative perpetual preferred callable securities issued by Investec Tier 1 (UK) LP on 24 June 2005 is due on 24 June 2009 and will be paid on 24 June 2009

#### Investec Limited

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

Preference dividend number 8 for the period 1 April 2008 to 30 September 2008 amounting to 536.03 cents per share was declared to members holding preference shares registered on 28 November 2008 and was paid on 9 December 2008

Preference dividend number 9 for the period 1 October 2008 to 31 March 2009 amounting to 518.77 cents per share was declared to members holding preference shares registered on 19 June 2009 and will be paid on 2 July 2009

##### Redeemable cumulative preference shares

Dividends amounting to R42 071 233 were paid on the redeemable cumulative preference shares

## Directors' Report

### Directors and secretaries

Details of directors and secretaries of Investec plc and Investec Limited are reflected on pages 219 to 222 and at the beginning of the Annual Report

In accordance with the Articles of Association, SE Abrahams, HS Herman, IR Kantor, S Koseff, Sir David Prosser and PRS Thomas, retire by rotation at the forthcoming Annual General Meeting but being eligible, offer themselves for re-election

### Directors and their interests

Directors' shareholdings and options to acquire shares are set out on pages 201 to 205. The register of directors' interests contains full details of directors' shareholdings and options to acquire shares

### Share incentive trusts

Details regarding options granted during the year are set out on pages 264 and 265

### Audit Committee

The Audit Committee comprising non-executive directors meets regularly with senior management, the external auditors, Operational Risk, Internal Audit, Group Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of our risk and control systems. Further details on the role and responsibility of the Audit Committee are set out on page 176

### Auditors

Ernst & Young LLP and Ernst & Young Inc. have indicated their willingness to continue in office as auditors of Investec plc and Investec Limited respectively. A resolution to reappoint them as auditors will be proposed at the next Annual General Meeting scheduled to take place on 13 August 2009

### Contracts

Refer to page 192 for details of contracts with directors

### Subsidiary and associated companies

Details of principal subsidiary and associated companies are reflected on pages 311 and 312

### Major shareholders

The largest shareholders of Investec plc and Investec Limited are reflected on page 216

### Special resolutions

#### Investec plc

At the Annual General Meeting held on 7 August 2008 special resolutions were passed in terms of which

- A renewable authority was granted to Investec plc to acquire its own shares in terms of Section 166 of the Companies Act 1985
- Authority to increase the number of authorised special converting shares of £0.0002 each in the authorised share capital of Investec plc to 300 000 000
- Amendments to the Articles of Association to reflect provisions of the Companies Act 2006 that are already in force since 1 October 2008





## Directors' Report

### Investec Limited

At the Annual General Meeting held on 7 August 2008, the following special resolutions were passed in terms of which

- A renewable authority was granted to Investec Limited and its subsidiaries to acquire its own ordinary and non-redeemable, non-cumulative, non-participating preference shares in terms of Section 85 and 89 of the South African Companies Act No 61 of 1973
- The authorised ordinary share capital has increased to 300 000 000 (three hundred million) by the creation of 22 500 000 (twenty two million five hundred thousand) new ordinary shares of R0 0002 each
- An amendment was made to the Memorandum of Association by updating the authorised share capital of Investec Limited
- An amendment was made to the Articles of Association by inserting a new Article 72A to allow for Multiple Proxies
- An amendment was made to the Articles of Association by inserting a new Article 57 2(a) - Demand for a poll
- An amendment was made to the Articles of Association by inserting a new Article 75 - Corporate Representation
- An amendment was made to the Articles of Association by inserting a new Article 72 - Timing for the deposit of form of proxy
- Replacement of the old Articles of Association of Investec Limited by adopting the new Articles of Association

### Accounting policies and disclosure

Accounting policies are set having regard to commercial practice and comply with applicable United Kingdom and South African law and International Financial Reporting Standards. These policies are set out on pages 244 to 253.

### Creditor payment policy

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

### Employees

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

### Donations

During the year, Investec plc made donations for charitable purposes, totalling £ 1.4 million and Investec Limited made donations for charitable purposes, totalling £2.2 million.

### Environment

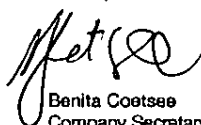
We are committed to pursuing sound environmental policies in all aspects of our business and seek to encourage and promote good environmental practice among our employees and within the community in which we operate. Further information on our sustainability practices can be found on pages 209 to 211 and on our website.

### Additional information for shareholders

Schedule A to the Directors' Report is a summary of certain provisions of Investec plc's current Articles of Association and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006).



David Miller  
Company Secretary  
Investec plc



Benita Coetsee  
Company Secretary  
Investec Limited

15 June 2008

## Directors' Responsibility Statement

The following statement, which should be read in conjunction with the Auditors' Report set out on pages 238 to 240, is made with a view to distinguishing for stakeholders the respective responsibilities of the directors and of the auditors in relation to the combined consolidated financial statements

The directors are responsible for the preparation, integrity and objectivity of the combined consolidated financial statements that fairly present the state of affairs of the company and the group at the end of the financial year and the net income and cash flows for the year, and other information contained in this report

To enable the directors to meet these responsibilities

- The board and management set standards and management implements systems of internal controls and accounting and information systems aimed at providing reasonable assurance that assets are safeguarded and the risk of fraud, error or loss is reduced in a cost effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties,
- The group's Internal Audit function, which operates unimpeded and independently from operational management, and has unrestricted access to the group Audit Committee, appraises and, when necessary, recommends improvements in the system of internal controls and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business, and
- The group Audit Committee, together with the Internal Audit department, plays an integral role in matters relating to financial and internal control, accounting policies, reporting and disclosure

To the best of our knowledge and belief, based on the above, the directors are satisfied that no material breakdown in the operation of the system of internal control and procedures has occurred during the year under review

The group consistently adopts appropriate and recognised accounting policies and these are supported by reasonable judgements and estimates on a consistent basis and provides additional disclosures when compliance with the specific requirements in International Financial Reporting Standards (IFRS) are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance

The financial statements of the company and the group have been prepared in accordance with the respective Companies Acts of the United Kingdom and South Africa, comply with IFRS and Article 4 of the IAS regulation

The directors are of the opinion, based on their knowledge of the company, key processes in operation and specific enquiries that adequate resources exist to support the company on a going concern basis over the next year. These financial statements have been prepared on that basis

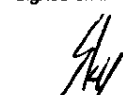
It is the responsibility of the independent auditors to report on the combined consolidated financial statements. Their report to the members of the company and group is set out on pages 238 to 240 of this report. As far as the directors are aware, there is no relevant audit information of which the companies' auditors are unaware. All steps which ought to have been taken as directors have been completed in order to be aware of the relevant audit information and to establish that the companies' auditors are aware of that information

## Approval of financial statements

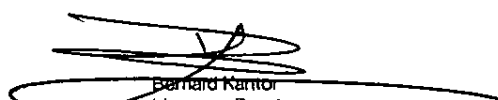
The directors' report and the financial statements of the company and the group, which appear on pages 229 to 232 and pages 241 to 319, were approved by the board of directors on 15 June 2009

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the companies' website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions

Signed on behalf of the board

  
Stephen Koseff  
Chief Executive Officer

15 June 2009

  
Bernard Kantor  
Managing Director

## Schedule A to the Directors' Report

### Additional information for shareholders

Set out below is a summary of certain provisions of Investec plc's current Articles of Association (the "Articles") and applicable English law concerning companies (the Companies Act 1985 and the Companies Act 2006 together the "Companies Acts"). This is a summary only and the relevant provisions of the Articles or the Companies Acts should be consulted if further information is required. Certain amendments will be proposed to the Articles at the Annual General Meeting to be held on 13 August 2009. Further details are set out in the notice of the Annual General Meeting on pages 321 to 331.

### Share capital

The share capital of Investec plc at 12 June 2009 consists of 560 000 000 plc ordinary shares of £0.0002 each, 1 000 000 plc preference shares of £0.01 each, 100 000 000 non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, 300 000 000 plc special converting shares of £0.0002 each, the special voting share of £0.001, the UK DAN share of £0.001 and the UK DAS share of £0.001 (each class as defined in the Articles).

### Purchase of own shares

Subject to the provisions of the Articles, the Companies Act 1985, the Uncertificated Securities Regulations 2001 and every other statute for the time being in force concerning companies and affecting Investec plc, the approval of shareholders as provided in the Investec plc's articles, and without prejudice to any relevant special rights attached to any class of shares, Investec plc may purchase, or may enter into a contract under which it will or may purchase, any of its own shares of any class, including without limitation any redeemable shares, in any way and at any price (whether at par or above or below par).

### Dividends and distributions

Subject to the provisions of the Companies Acts, Investec plc may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the board. The board may pay interim dividends whenever the financial position of Investec plc, in the opinion of the board, justifies such payment.

The board may withhold payment of all or any part of any dividends or other monies payable in respect of Investec plc's shares from a person with a 0.25 per cent or more interest in nominal value of the issued shares if such a person has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Acts.

### Voting rights

Subject to any special rights or restrictions attaching to any class of shares, at a general meeting, every member present in person has, upon a show of hands, one vote and on a poll every member who is present in person or by proxy has one vote for each share. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of the share. Under the Companies Acts members are entitled to appoint a proxy, who need not be a member of Investec plc, to exercise all or any of their rights to attend and vote on their behalf at a general meeting or class meeting. A member may appoint more than one proxy in relation to a general meeting or class meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A member that is a corporation may appoint an individual to act on its behalf at a general meeting or class meetings as a corporate representative. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise if it were an individual member of Investec plc.

### Restrictions on voting

No member shall be entitled to vote either in person or by proxy at any general meeting or class meeting in respect of any shares held by him if any call or other sum then payable by him in respect of that share remains unpaid. In addition no member shall be entitled to vote if he has been served with a notice after failure to provide Investec plc with information concerning interests in those shares required to be provided under the Companies Acts.

### Deadlines for exercising voting rights

Votes are exercisable at a general meeting of Investec plc in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy, or in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting.

## Schedule A to the Directors' Report

### Variation of rights

Subject to the Companies Acts the Articles specify that rights attached to any class of shares may be varied with the written consent of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. At every such separate general meeting the quorum shall be two persons or, if there is only one holder, that holder at least holding or representing by proxy at least one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares). The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with them.

Where, under the company's share incentive plan, participants are the beneficial owners of the shares but not the registered owners, the participants are not entitled to exercise any voting rights until the shares are released to the participants. Under the company's employee trust, the trustee does not vote in respect of unallocated shares.

### Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully-paid shares) by or on behalf of the transferee. Transfers of shares which are in uncertificated form are effected by means of the CREST system. The directors may, in the case of shares in certificated form, in their absolute discretion and without assigning any reason, refuse to register any transfer of shares (not being fully paid shares) provided that such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis. The directors may also refuse to register an allotment or transfer of shares (whether fully-paid or not) in favour of more than four persons jointly. If the directors refuse to register an allotment or transfer they shall within two months after the date on which the letter of allotment or transfer was lodged with Investec plc send to the allottee or transferee a notice of the refusal.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and when submitted for registration is accompanied by the relevant share certificates and such other evidence as the directors may reasonably require.

Subject to the Companies Acts and regulations and applicable CREST rules, the directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of the CREST system or that shares of any class should cease to be so held and transferred.

A number of the company's employee share plans include restrictions on transfer of shares while the shares are subject to the plans, in particular, the share incentive plan.

### plc preference shares

The following are the rights and privileges which attach to the plc preference shares:

- To receive a non-cumulative preferential dividend out of the profits of Investec plc in priority to the plc ordinary shares but *pari passu* with the perpetual preference shares, on such dates in respect of such periods and on such other terms and conditions as may be determined by the directors prior to the allotment thereof;
- The plc preference shares will rank as regards participation in profits *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with the perpetual preference shares;
- On a return of capital, whether or not on a winding up (but not on a redemption or purchase of any shares by Investec plc) or otherwise, the plc preference shares will rank, *pari passu inter se* and with the most senior ranking preference shares of Investec plc in issue (if any) from time to time and with any other shares of Investec plc that are expressed to rank *pari passu* therewith as regards participation in the capital, and otherwise in priority to any other class of shares of Investec plc;
- Investec plc may, at its option, redeem all or any of the plc preference shares for the time being issued and outstanding on the first call date or any dividend payment date thereafter; and
- Holders of plc preference shares will not be entitled to attend and vote at general meetings of Investec plc. Holders will be entitled to attend and vote at a class meeting of holders of plc preference shares.



## Schedule A to the Directors' Report

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

The following are the rights and privileges which attach to the perpetual preference shares

- Each perpetual preference share will rank as regards dividends and a repayment of capital on the winding-up of Investec plc prior to the ordinary shares, the plc special converting shares, the UK DAN share, the UK DAS share but *pari passu* with the plc preference shares. The perpetual preference shares shall confer on the holders, on a *pari passu* basis, the right on a return of capital on the winding-up of Investec plc of an amount equal to the aggregate of the nominal value and premiums in respect of perpetual preference shares issued divided by the number of perpetual preference shares in issue.
- Each perpetual preference share may confer upon the holder thereof the right to receive out of the profits of Investec plc which it shall determine to distribute, in priority to the ordinary shares, the plc special converting shares, the UK DAN share and the UK DAS share but *pari passu* with the plc preference shares, the preference dividend calculated in accordance with the Articles.
- The holders of the perpetual preference shares shall be entitled to receive notice of and be present but not to vote, either in person or by proxy, at any meeting of Investec plc, by virtue of or in respect of the perpetual preference shares, unless either or both of the following circumstances prevail as at the date of the meeting:
  - (i) The preference dividend or any part thereof remains in arrear and unpaid as determined in accordance with Article 150 2(e)(ii) after six months from the due date thereof, and
  - (ii) A resolution of Investec plc is proposed which resolution directly affects the rights attached to the perpetual preference shares or the interests of the holders thereof, or a resolution of Investec plc is proposed to wind up or in relation to the winding-up of Investec plc or for the reduction of its capital, in which event the preference shareholders shall be entitled to vote only on such resolution

### Shares required for the DLC structure

Investec SSC (UK) Limited ("Investec Limited"), a UK trust company, specially formed for the purpose of DLC structure, holds the plc special voting share, the plc special converting shares, the UK DAN share and the UK DAS share. These shares can only be transferred to another UK trust company, in limited circumstances.

The plc special voting shares are specially created shares so that shareholders of both Investec plc and Investec Limited effectively vote together as a single decision-making body on matters affecting shareholders of both companies in similar ways, as set out in the Articles.

Prior to a change of control, approval of termination of the sharing agreement (which regulates the DLC), liquidation or insolvency of Investec plc, the plc special converting shares have no voting rights except in relation to a resolution proposing the (i) variation of the rights attaching to the shares or (ii) winding-up, and they have no rights to dividends. The special converting shares are held on trust for the Investec Limited ordinary shareholders.

Investec plc and Investec Limited have established dividend access trust arrangements as part of the DLC. Investec plc has issued two dividend access shares – the UK DAS share and UK DAN share which enables Investec plc to pay dividends to the shareholders of Investec Limited. This facility may be used by the board to address imbalances in the distributable reserves of Investec plc and Investec Limited and/or to address the effects of South African exchange controls and/or if they otherwise consider it necessary or desirable.

### Appointment and replacement of directors

Directors shall be no less than four and no more than 20 in number. A director is not required to hold any shares of Investec plc by way of qualification. Investec plc may by special resolution increase or reduce the maximum or minimum number of directors.

At each Annual General Meeting held in each year (other than 2002) any director who was elected or last re-elected or, if later, deemed in terms of the Articles to have been elected or re-elected a director at or before the Annual General Meeting held in the third calendar year before the current year shall retire by rotation. Any further directors, other than those retiring under any other provision in Investec plc's Articles shall retire by rotation to bring the number retiring by rotation up to one-third of the number of directors in office at the date of the notice of meeting.

Investec plc may by ordinary resolution in accordance with the relevant provisions of the Articles appoint any person to be a director (so long as the total number of directors does not exceed the limit prescribed in the Articles). Any such director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election.

## Schedule A to the Directors' Report

### Powers of directors

Subject to the Articles, the Companies Acts, the CREST regulations and every other statute for the time being in force concerning companies and affecting Investec plc, and any directions given by ordinary or special resolution, the business of Investec plc will be managed by the board who may exercise all the powers of Investec plc

The board may exercise all the powers of Investec plc to borrow money and to mortgage or charge any of its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt liability or obligation of Investec plc or of any third party

### Significant agreements: change of control

The articles of association of both Investec plc and Investec Limited ensure that a person cannot make an offer for one company without having made an equivalent offer to the shareholders of both companies on equivalent terms

Pursuant to the terms of the agreements establishing the DLC structure, if either Investec plc or Investec Limited serves written notice on the other at any time after either party becomes a subsidiary of the other party or after both Investec plc and Investec Limited become subsidiaries of a third party the agreements establishing the DLC structure will terminate

All of Investec plc's share plans contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control and where applicable subject to the satisfaction of any performance conditions at that time



# Independent Auditor's Report to the members of Investec plc

We have audited the group and parent company financial statements (the "financial statements") of Investec plc for the year ended 31 March 2009 which comprise the combined consolidated income statements, the combined consolidated and parent company balance sheets, the combined consolidated cash flow statement, the combined consolidated statement of total recognised income and expense, the information in the Risk Management Report contained in the group annual report that has been described as audited and the related notes 1 to 51. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the parent company financial statements and the Directors' Remuneration Report in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and whether in addition, the group financial statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the information contained in the Risk Management Report, the Directors' Remuneration Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements, and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

# Independent Auditor's Report to the members of Investec plc

## Opinion

### In our opinion

- The group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its profit for the year then ended,
- The group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation,
- The parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009,
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- The information given in the directors' report is consistent with the financial statements

## Separate opinion in relation to IFRSs

As explained in the accounting policies of the group financial statements, the group, in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board

In our opinion the group financial statements give a true and fair view, in accordance with IFRSs, of the state of the group's affairs as at 31 March 2009 and of its profit for the year then ended

*Ernst & Young LLP*

Ernst & Young LLP  
Registered auditor  
London

15 June 2009

### Notes

- 1 The maintenance and integrity of the Investec plc web site is the responsibility of the directors, the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website
- 2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions





## Independent Auditor's Report to the members of Investec Limited

We have audited the group annual financial statements of Investec Limited, which comprise the Directors' Report, the combined consolidated balance sheet as at 31 March 2009, the combined consolidated income statement, the combined consolidated statement of total recognised income and expenses and combined consolidated cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 229 to 319, the separate annual financial statements of Investec Limited, which comprise the separate balance sheet as at 31 March 2009, the separate income statement, the separate statement of changes in equity for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 316 to 319 and the information in the Risk Management Report and Directors' Remuneration Report that is marked as audited

### Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and in the manner required by the South African Companies Act of 1973. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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.

### Auditor's responsibility

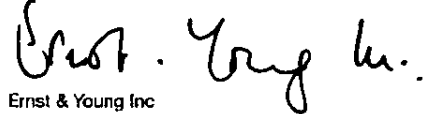
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Investec Limited as of 31 March 2009 and its consolidated and separate financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the South African Companies Act of 1973.



Ernst & Young Inc  
Registered Auditors  
Wanderers Office Park  
52 Corlett Drive  
Sandton

15 June 2009

## Combined consolidated income statement

| For the year to 31 March<br>£'000                                                      | Notes | 2009        | 2008        |
|----------------------------------------------------------------------------------------|-------|-------------|-------------|
| Interest income                                                                        |       | 2 596 913   | 2 083 380   |
| Interest expense                                                                       |       | (1 902 882) | (1 499 960) |
| Net interest income                                                                    |       | 694 031     | 583 420     |
| Fee and commission income                                                              |       | 592 814     | 614 357     |
| Fee and commission expense                                                             |       | (61 292)    | (63 061)    |
| Principal transactions                                                                 | 4     | 276 521     | 276 705     |
| Operating income from associates                                                       | 24    | 12 438      | 12 138      |
| Investment income on assurance activities                                              | 32    | 74 584      | 89 593      |
| Premiums and reinsurance recoveries on insurance contracts                             | 32    | 18 773      | 40 849      |
| Other operating (loss)/income                                                          | 5     | (30 240)    | 50 043      |
| Other income                                                                           |       | 883 598     | 1 020 624   |
| Claims and reinsurance premiums on insurance business                                  | 32    | (88 108)    | (120 358)   |
| Total operating income net of insurance claims                                         |       | 1 489 521   | 1 483 686   |
| Impairment losses on loans and advances                                                | 22    | (256 173)   | (114 185)   |
| Operating income                                                                       |       | 1 233 348   | 1 369 501   |
| Administrative expenses                                                                | 6     | (803 158)   | (807 500)   |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | 27/30 | (30 102)    | (24 330)    |
| Operating profit before goodwill                                                       |       | 400 088     | 537 671     |
| Goodwill                                                                               | 29    | (32 467)    | (62 765)    |
| Operating profit                                                                       |       | 367 621     | 474 906     |
| Profit on disposal of group operations                                                 | 31    | 721         | 72 855      |
| Profit before taxation                                                                 |       | 368 342     | 547 761     |
| Taxation                                                                               | 8     | (81 675)    | (127 249)   |
| Profit after taxation                                                                  |       | 286 667     | 420 512     |
| (Losses)/earnings attributable to minority shareholders                                |       | (5 355)     | 28 954      |
| Earnings attributable to shareholders                                                  |       | 292 022     | 391 558     |
| Earnings per share (pence)                                                             |       |             |             |
| - Basic                                                                                | 9     | 38.5        | 57.7        |
| - Diluted                                                                              | 9     | 36.1        | 54.0        |
| Dividends per share (pence)                                                            |       |             |             |
| - Interim                                                                              | 10    | 8.0         | 11.5        |
| - Final                                                                                | 10    | 5.0         | 13.5        |



# Combined consolidated balance sheet

| At 31 March<br>£'000                                                     | Notes | 2009              | 2008              |
|--------------------------------------------------------------------------|-------|-------------------|-------------------|
| <b>Assets</b>                                                            |       |                   |                   |
| Cash and balances at central banks                                       |       | 1 105 089         | 788 472           |
| Loans and advances to banks                                              |       | 2 018 089         | 2 153 773         |
| Cash equivalent advances to customers                                    |       | 396 173           | 504 382           |
| Reverse repurchase agreements and cash collateral on securities borrowed | 18    | 569 770           | 794 153           |
| Trading securities                                                       | 19    | 2 313 845         | 1 984 580         |
| Derivative financial instruments                                         | 20    | 1 582 908         | 1 305 284         |
| Investment securities                                                    | 21    | 1 063 569         | 1 130 872         |
| Loans and advances to customers                                          | 22    | 15 390 519        | 12 011 261        |
| Loans and advances to customers - Kensington warehouse assets            | 22    | 1 897 878         | 2 034 874         |
| Securitised assets                                                       | 23    | 5 628 347         | 6 082 975         |
| Interests in associated undertakings                                     | 24    | 93 494            | 82 576            |
| Deferred taxation assets                                                 | 25    | 136 757           | 84 493            |
| Other assets                                                             | 26    | 894 062           | 882 209           |
| Property and equipment                                                   | 27    | 174 532           | 141 352           |
| Investment properties                                                    | 28    | 189 156           | 134 975           |
| Goodwill                                                                 | 29    | 255 972           | 271 932           |
| Intangible assets                                                        | 30    | 34 402            | 31 506            |
|                                                                          |       | <b>33 744 562</b> | <b>30 419 649</b> |
| <b>Financial instruments at fair value through income in respect of</b>  |       |                   |                   |
| Liabilities to customers                                                 | 32    | 3 358 338         | 2 878 894         |
| Assets related to reinsurance contracts                                  | 32    | 1 768             | 805 009           |
|                                                                          |       | <b>37 104 668</b> | <b>34 103 552</b> |
| <b>Liabilities</b>                                                       |       |                   |                   |
| Deposits by banks                                                        |       | 3 781 153         | 3 489 032         |
| Deposits by banks - Kensington warehouse funding                         |       | 1 412 961         | 1 778 438         |
| Derivative financial instruments                                         | 20    | 1 196 326         | 881 577           |
| Other trading liabilities                                                | 33    | 344 561           | 450 580           |
| Repurchase agreements and cash collateral on securities lent             | 18    | 915 850           | 382 384           |
| Customer accounts                                                        |       | 14 572 568        | 12 133 120        |
| Debt securities in issue                                                 | 34    | 1 014 871         | 777 769           |
| Liabilities arising on securitisation                                    | 23    | 5 203 473         | 5 760 208         |
| Current taxation liabilities                                             |       | 155 395           | 132 656           |
| Deferred taxation liabilities                                            | 25    | 120 135           | 79 172            |
| Other liabilities                                                        | 36    | 1 264 144         | 1 279 373         |
| Pension fund liabilities                                                 | 36    | 1 212             | -                 |
|                                                                          |       | <b>29 982 649</b> | <b>27 144 309</b> |
| Liabilities to customers under investment contracts                      | 32    | 3 352 863         | 2 862 916         |
| Insurance liabilities, including unit-linked liabilities                 | 32    | 5 475             | 15 978            |
| Reinsured liabilities                                                    | 32    | 1 768             | 805 009           |
|                                                                          |       | <b>33 342 755</b> | <b>30 828 212</b> |
| Subordinated liabilities (including convertible debt)                    | 37    | 1 141 378         | 1 065 321         |
|                                                                          |       | <b>34 484 131</b> | <b>31 893 533</b> |
| <b>Equity</b>                                                            |       |                   |                   |
| Called up share capital                                                  | 2/38  | 190               | 177               |
| Perpetual preference share capital                                       | 2/39  | 151               | 151               |
| Share premium                                                            | 2/40  | 1 769 040         | 1 632 634         |
| Treasury shares                                                          | 2/41  | (173 088)         | (114 904)         |
| Equity portion of convertible debentures                                 | 2     | -                 | 2 191             |
| Other reserves                                                           | 2     | 42 509            | (42 057)          |
| Profit and loss account                                                  | 2     | 658 129           | 433 012           |
| Shareholders' equity excluding minority interests                        |       | <b>2 296 951</b>  | <b>1 911 204</b>  |
| Minority interests                                                       | 2/42  | 323 586           | 298 815           |
| Perpetual preferred securities issued by subsidiaries                    |       | 295 084           | 251 637           |
| Minority interests in partially held subsidiaries                        |       | 28 502            | 47 178            |
| Total shareholders' equity                                               |       | <b>2 620 537</b>  | <b>2 210 019</b>  |
| <b>Total liabilities and shareholders' equity</b>                        |       | <b>37 104 668</b> | <b>34 103 552</b> |

The directors' approved the accounts on 15 June 2009

S Koseff  
Chief Executive  
Officer

B Kantor  
Managing Director

## Combined consolidated statement of total recognised income and expenses

| For the year to 31 March<br>£'000                                                   | Notes | 2009           | 2008           |
|-------------------------------------------------------------------------------------|-------|----------------|----------------|
| Profit after taxation                                                               |       | 286 667        | 420 512        |
| Total gains and losses recognised directly in equity                                |       | 185 415        | (110 879)      |
| Fair value movements on available for sale assets                                   |       | (4 223)        | (38 907)       |
| Fair value movements on cash flow hedges                                            |       | (16 293)       | -              |
| Foreign currency movements                                                          |       | 215 653        | (79 591)       |
| Pension fund actuarial (losses)/gains                                               | 36    | (9 722)        | 7 619          |
| <b>Total recognised income and expenses</b>                                         |       | <b>472 082</b> | <b>309 633</b> |
| Total recognised income and expenses attributable to minority shareholders          |       | 21 285         | 17 365         |
| Total recognised income and expenses attributable to ordinary shareholders          |       | 376 020        | 270 327        |
| Total recognised income and expenses attributable to perpetual preferred securities |       | 74 777         | 21 941         |
|                                                                                     |       | <b>472 082</b> | <b>309 633</b> |

## Combined consolidated cash flow statement

| For the year to 31 March<br>£'000                                                  | Notes | 2009             | 2008             |
|------------------------------------------------------------------------------------|-------|------------------|------------------|
| Operating profit adjusted for non cash items                                       | 44    | 726 573          | 708 295          |
| Taxation paid                                                                      |       | (95 195)         | (97 845)         |
| Decrease/(increase) in operating assets                                            |       | 46 724           | (655 805)        |
| (Decrease)/increase in operating liabilities                                       |       | (323 255)        | 1 080 433        |
| <b>Net cash inflow from operating activities</b>                                   |       | <b>354 847</b>   | <b>1 035 078</b> |
| Cash flow on acquisition of group operations                                       | 31    | -                | (32 419)         |
| Cash flow on disposal of group operations                                          | 31    | 721              | -                |
| Cash flow on net acquisition of associates                                         |       | (3 713)          | (1 563)          |
| Cash flow on acquisition and disposal of property, equipment and intangible assets |       | (60 678)         | (31 660)         |
| <b>Net cash outflow from investing activities</b>                                  |       | <b>(63 670)</b>  | <b>(65 642)</b>  |
| Dividends paid to ordinary shareholders                                            |       | (143 995)        | (145 926)        |
| Dividends paid to other equity holders                                             |       | (47 503)         | (45 702)         |
| Proceeds on issue of shares net of related costs                                   |       | 91 764           | -                |
| Proceeds on (acquisition)/issue of treasury shares net of related costs            |       | (58 164)         | 8 630            |
| Proceeds on issue of other equity instruments*                                     |       | 3 486            | 6 777            |
| Proceeds from subordinated debt raised                                             |       | 26 737           | 209 871          |
| Reduction in subordinated debt                                                     |       | (57 306)         | (88 543)         |
| <b>Net cash outflow from financing activities</b>                                  |       | <b>(184 981)</b> | <b>(54 893)</b>  |
| <b>Effects of exchange rates on cash and cash equivalents</b>                      |       | <b>226 277</b>   | <b>(97 791)</b>  |
| <b>Net increase in cash and cash equivalents</b>                                   |       | <b>332 473</b>   | <b>816 752</b>   |
| Cash and cash equivalents at the beginning of the year                             |       | 1 951 876        | 1 135 124        |
| <b>Cash and cash equivalents at the end of the year</b>                            |       | <b>2 284 349</b> | <b>1 951 876</b> |
| Cash and cash equivalents is defined as including                                  |       |                  |                  |
| Cash and balances at central banks                                                 |       | 1 105 089        | 788 472          |
| On demand loans and advances to banks                                              |       | 783 087          | 659 022          |
| Cash equivalent advances to customers                                              |       | 396 173          | 504 382          |
| <b>Cash and cash equivalents at the end of the year</b>                            |       | <b>2 284 349</b> | <b>1 951 876</b> |

\* includes equity instruments issued by subsidiaries

### Note

Cash and cash equivalents have a maturity profile of less than three months



## Accounting policies

### Basis of preparation

The group financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union ("EU") which comply with the IFRSs as issued by the International Accounting Standards Board. At 31 March 2009, IFRS standards as endorsed by the EU are identical to current IFRSs applicable to the group.

The group financial statements have been prepared on a historical cost basis, except for investment properties, available for sale investments, derivative financial instruments and financial assets and financial liabilities held at fair value through profit or loss, and pension fund surpluses and deficits that have been measured at fair value.

Accounting policies applied are consistent with those of the prior year, except as noted below.

The group has elected to early adopt IFRS 8, Operating Segments as of 1 April 2008. This standard requires disclosure of information about the group's operating segments on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. Adoption of this standard did not have any impact on the financial position or performance of the group. The group determined that operating segments were the same as the business segments previously identified under IAS 14, Segment Reporting.

IAS 39, Financial Instruments: Recognition and Measurement was amended in October 2008, effective immediately. Following the amendment, a non-derivative financial asset held for trading may be transferred out of the fair value through profit and loss category in the following circumstances:

- In rare circumstances, it is no longer held for the purpose of selling or repurchasing in the near term, or
- It is no longer held for the purpose of selling or repurchasing in the near term, it would have met the definition of a loan and receivable at initial recognition and the group has the intention and ability to hold it for the foreseeable future or until maturity.

The initial value of the financial asset that has been reclassified, per the above, is the fair value at the date of reclassification. The group has not applied the initial transitional rules. This change in accounting policy has had no impact on the prior year financial statements. Refer to note 14 on page 276 for details on reclassifications in the current year.

### Reclassifications

The group had previously included the par value and share premium received on the issue of perpetual preference shares (an equity instrument) in a single line item within equity on the balance sheet. The presentation has been amended to include the share premium received within the share premium account. This change in presentation has no impact on overall equity, assets and liabilities. Refer to notes 38 and 39 on pages 299 to 302 for further details.

### Basis of consolidation

Investec consists of two separate legal entities, being Investec plc and Investec Limited, that operate under a dual listed companies ("DLC") structure. The effect of the DLC structure is that Investec plc and its subsidiaries and Investec Limited and its subsidiaries operate together as a single economic entity with neither assuming a dominant role and accordingly are reported as a single reporting entity under IFRS.

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

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

The combined consolidated financial statements include the attributable share of the results and reserves of associated undertakings. The group's interests in associated undertakings are included in the consolidated balance sheet at the group's share of net assets of the associate plus goodwill arising on acquisition less any impairment recognised.

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

All intergroup balances, transactions and unrealised gains and losses within the group are eliminated to the extent that they do not reflect an impairment to the asset.

## Accounting policies

### Segmental reporting

A segment is a distinguishable component of the group engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are distinguishable from those of other segments

The group's segmental reporting is presented in the form of a business analysis and a geographical analysis

The business analysis is presented in terms of the group's five principal business divisions and Group Services and Other Activities

A geographical analysis is presented in terms of the main geographies in which the group operates representing the group's exposure to various economic environments

### Goodwill

Goodwill represents the net excess of the purchase consideration over the fair value of net identifiable assets of entities acquired. Goodwill is capitalised and tested for impairment at balance sheet dates or when there is an indication of impairment. Goodwill is allocated to cash generating units for the purposes of testing impairment based on the synergies expected in the business combination, with any impairments arising being recognised immediately in the income statement. Impairments recognised are not reversed in subsequent periods.

In circumstances where the group acquires an interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities greater than the cost of the acquisition, the group reassesses the identification and measurement of all assets and liabilities (including contingent liabilities) following which any remaining excess is recognised immediately in profit and loss.

Goodwill arising is denominated in the functional currency of the foreign operation and is translated to the presentation currency of the group (Pounds Sterling) at the applicable closing rate.

Goodwill arising on investment in associates is included within the investment in associates.

### Share based payments to employees

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

The fair value of the services received in respect of equity settled share based payments is determined by reference to the fair value of the shares or share options on the date of grant to the employee. The cost of the share based payment is recognised over the vesting period of the grant in the income statement, based on an estimate of the amount of instruments that will eventually vest.

A liability and expense in respect of cash settled share based payments is recognised over the vesting period of the grant in the income statement on a straight-line basis, based on the fair value of the instrument that will eventually vest. The liability is recognised at the current fair value at each balance sheet date, based on an estimate of the number of instruments that will eventually vest. Subsequent to vesting the liability is measured at fair value, with gains and losses recognised in the profit and loss account until such time as the liability is settled.

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

### Foreign currency transactions and foreign operations

The presentation currency of the group is Pounds Sterling, being the functional currency of Investec plc. The functional currency of Investec Limited is South African Rand.

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

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

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



## Accounting policies

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

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

## Revenue recognition

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

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

Commissions and fees include fees earned from providing advisory services as well as portfolio management. All such commissions and fees are recognised as revenue when the related services are performed. Fee and commission income is only recognised when it can be estimated reliably.

Principal transaction income includes trading profits, gains and losses on financial assets and liabilities designated as held at fair value and fair value gains and losses on investment properties.

Trading profits are shown net of the funding cost of the underlying positions and includes the unrealised profits on trading portfolios, which are marked to market daily. Equity investments received in lieu of corporate finance fees are included in trading securities and valued accordingly. Trading profits gross of funding costs are disclosed in page 263.

Included in other operating income is operating profit net of all direct cost of sales from consolidated private equity investments. Operating costs associated with these investments is included in administrative expenses.

## Financial instruments

Financial instruments are initially recognised at their fair value, plus in the case of financial assets or financial liabilities not at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liabilities.

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

### Financial assets and liabilities at fair value through profit and loss

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

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

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

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

## Accounting policies

### Held-to-maturity assets

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

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

### Loans and receivables

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

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

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

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

### Available for sale financial assets

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

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

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

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

### Financial liabilities

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

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

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

### Valuation of financial instruments

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





## Accounting policies

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

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

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

### Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the group would not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or collectively on a portfolio of similar, homogeneous assets. Assets specifically identified as impaired are excluded from the collective assessment.

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

The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows (including net proceeds on realisation of collateral) discounted at the original effective rate.

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

### Derecognition of financial assets and liabilities

A financial asset or a portion thereof, is derecognised when the group's right to cash flows has expired, or when the group has transferred its rights to cash flows relating to the financial assets, including the transfer of substantially all the risk and rewards associated with the financial assets or when control over the financial assets has passed.

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

### Derivative instruments

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

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

### Hedge accounting

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

- At inception of the hedge the group formally documents the relationship between the hedging instrument(s) and hedged item(s) including the risk management objectives and the strategy in undertaking the hedge transaction.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistent with the originally documented risk management strategy for that particular hedging relationship.
- For cash flow hedges, a forecasted transaction that is the subject of the hedge must be highly probable and must present an exposure to variations in cash flows that could ultimately affect profit and loss.

## Accounting policies

- The effectiveness of the hedge can be reliably measured, i.e. the fair value or cash flows of the hedged item that are attributable to the hedged risk and the fair value of the hedging instrument can be reliably measured
- The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated

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

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

For qualifying cash flow hedges in respect of non-financial assets and liabilities, the change in fair value of the hedging instrument is initially recognised in equity and included in the initial cost of any asset/liability when recognised or in all other cases released to the income statement when the hedged firm commitment or forecasted transaction affects net profit

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

## Trading derivatives

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

## Embedded derivatives

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

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract and,
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative

## Offsetting of financial assets and liabilities

Financial assets and liabilities are offset when there is both an intention to settle on a net basis (or simultaneously) and a legal right to offset exists

## Issued debt and equity financial instruments

Financial instruments issued by the group are classified as liabilities if they contain an obligation to transfer economic benefits. Financial instruments issued by the group are classified as equity where they confer on the holder a residual interest in the group. The components of compound issued financial instruments are accounted for separately with the liability component separated first and any residual amount being allocated to the equity component

Equity instruments issued by subsidiaries of Investec plc or Investec Limited are recorded as minority interests on balance sheet

Equity instruments are initially measured net of directly attributable issue costs

Treasury shares represent issued equity repurchased by the group which has not been cancelled. Treasury shares are deducted from shareholders' equity and represent the purchase consideration, including directly attributable costs. Where treasury shares are subsequently sold or reissued, net proceeds received are included in shareholders' equity

Dividends on ordinary shares are recognised as a deduction from equity at the earlier of payment date or the date that it is approved by Investec plc (in relation to dividends declared by Investec plc) and Investec Limited (in relation to dividends declared by Investec Limited) shareholders



## Accounting policies

### Sale and repurchase agreements (including securities borrowing and lending)

Where securities are sold subject to a commitment to repurchase them, they remain on balance sheet. Proceeds received are recorded as a liability on balance sheet under "repurchase agreements and cash collateral on securities lent". Securities that are purchased under a commitment to resell the securities at a future date are not recognised on the balance sheet. The consideration paid is recognised as an asset under "reverse repurchase agreements and cash collateral on securities borrowed".

Securities borrowing transactions that are not cash collateralised are not included in the balance sheet. Securities lending and borrowing transactions which are cash collateralised are accounted for in the same manner as securities sold or purchased subject to repurchase commitments.

### Financial guarantees

Financial guarantees are initially recognised at fair value, being the premium received. Subsequent to initial recognition, the liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Subsequent to initial measurement, all changes in balance sheet carrying value are recognised in the income statement.

### Instalment credit, leases and rental agreements

Where classified as a finance lease, amounts outstanding on these contracts, net of unearned finance charges, are included in loans and advances where Investec is the lessor and included in liabilities where Investec is the lessee. Finance charges on finance leases and instalment credit transactions are credited or debited to income in proportion to the capital balances outstanding at the rate implicit in the agreement.

Where classified as operating leases, rentals payable/receivable are charged/credited in the income statement on a straight line basis over the lease term. Contingent rentals (if any) are accrued to the income statement when incurred.

### Property and equipment

Property and equipment is recorded at cost less accumulated depreciation and impairments.

Depreciation is provided on the depreciable amount of each component on a straight-line basis over the anticipated useful life of the asset. The depreciable amount related to each asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs that the group would currently obtain from the disposal of an asset in similar age and condition as expected at the end of its useful life.

The current annual depreciation rates for each class of property and equipment are as follows:

- |                                  |        |
|----------------------------------|--------|
| • Computer and related equipment | 20-33% |
| • Motor vehicles                 | 20-25% |
| • Furniture and fittings         | 10-20% |
| • Freehold buildings             | 2%     |
| • Leasehold improvements*        |        |

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

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

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

### Investment property

Properties held by the group which are held for capital appreciation or rental yield are classified as investment properties. Investment properties are carried on balance sheet at fair value, with fair value gains and losses recognised in the income statement under "principal transactions".

Fair value of investment property is calculated by taking into account the expected rental stream associated with the property, and is supported by market evidence.

## Accounting policies

### Impairment of non-financial assets

At each balance sheet date the group reviews the carrying value of non-financial assets for indication of impairment. The recoverable amount, being the lower of fair value less cost to sell and value in use, is determined for any assets for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable value.

Impairment losses are recognised as an expense in the income statement in the period in which they are identified. Reversal of impairment losses is recognised in income in the period in which the reversal is identified, to the extent that the asset is not revalued to a carrying value that would have been calculated without impairment.

### Trust and fiduciary activities

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

As these are not assets of the group, they are not reflected on the balance sheet but are included at market value as part of assets under administration.

### Taxation and deferred taxation

Current taxation payable is provided on taxable profits at rates that are enacted or substantially enacted to the relevant period.

Deferred taxation is provided using the balance sheet method on temporary differences between the carrying amount of an asset or liability in the balance sheet and its taxation base, except where such temporary differences arise from:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction has no effect on the income statement
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred taxation assets or liabilities are measured using the taxation rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised.

Items recognised directly in equity are net of related taxation and deferred taxation.

### Insurance contracts

Insurance contracts are those contracts in which the group assumes significant insurance risk. The deposit components of insurance contracts are unbundled and accounted for separately.

Insurance premiums are recognised in income in the period in which the group is entitled to the premium. Insurance claims are recognised in the income statement in the period in which a contractual obligation arises for the group to make payment under an insurance contract.

Reinsurance assets and liabilities and associated premiums/claims are not offset in the income statement or balance sheet.

Insurance liabilities are measured at their actuarial values, and are tested for adequacy on an annual basis. Any deficiency identified is recognised in the income statement.

### Employee benefits

The group operates various defined contribution schemes and two closed defined benefit schemes.

In respect of the defined contribution scheme all employer contributions are charged to income, as incurred in accordance with the rules of the scheme, and included under staff costs.

The assets of the defined benefit schemes are measured at their market value at the balance sheet date and the liabilities of the schemes are measured using the projected unit credit method. The discount rate used to measure the schemes' liabilities is the current rate of return on an AA corporate bond at the balance sheet date of equivalent term and currency to the liabilities. The extent to which the schemes' assets exceed or fall short of the schemes' liabilities is shown as a surplus or deficit in the balance sheet (to the extent that it is considered recoverable). Actuarial gains and losses related to the defined benefit asset or liability are recognised immediately directly in equity.



## Accounting policies

The group has no liabilities for other post retirement benefits

## Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and impairments

For intangible assets with a finite life amortisation is provided on the depreciable amount of each intangible asset on a straight-line basis over the anticipated useful life of the asset (currently 3 to 8 years). The depreciable amount related to each intangible asset is determined as the difference between the cost and the residual value of the asset. The residual value is the estimated amount, net of disposal costs, which the group would currently obtain from the disposal of an intangible asset in similar age and condition as expected at the end of its useful life.

Intangible assets with an indefinite life are not amortised, however they are tested for impairment on an annual basis.

## Borrowing costs

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

## Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount, and are recognised as soon as the group has created a legal or constructive obligation which will lead to an outflow of economic resources to settle the obligation as a result of a past event. Contingent assets and contingent liabilities are not recognised on balance sheet.

## Standards and interpretations not yet effective

The following standards and interpretations, which have been issued but are not yet effective, are applicable to the group. These standards and interpretations have not been applied in these financial statements. The group intends to comply with these standards from the effective dates.

### Revised IAS 1 – Presentation of Financial Statements (applicable for reporting periods beginning on or after 1 January 2009)

The revised standard introduces changes to the presentation of financial statements and does not affect the recognition, measurement or disclosure of specific transactions. The standard will not affect the financial position or results of the group but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the group. The changes are not expected to be of any significance to the current level of disclosure in the group financial statements.

### Amendments to IFRS 2 – Share Based Payments (applicable for reporting periods beginning on or after 1 January 2009)

The amendments clarify that vesting conditions comprise only service conditions and performance conditions and clarifies the accounting treatment of a failure to meet a non-vesting condition. Adoption of the standard is not expected to have a significant impact on the group financial statements.

### Revised IFRS 3 - Business Combinations and consequential amendments to IAS 27 – Consolidated and Separate Financial Statements (applicable for business combinations for which the acquisition date is on or after the beginning of the reporting period beginning on or after 1 July 2009)

The main changes to the standard that affects the group's current policies is that acquisition related costs are expensed in the income statement in the periods in which the costs are incurred and the services received, except for costs related to the issue of debt (recognised as part of the effective interest rate) and the cost of issue of equity (recognised directly in equity). Currently the group recognises acquisition costs as part of the purchase consideration.

## Accounting policies

Amendments to IAS 32 – Financial Instruments Presentation and IAS 1 – Presentation of Financial Statements Puttable Financial Instruments and obligations Arising on Liquidation (applicable for reporting periods beginning on or after 1 January 2009)

These amendments will have no impact on the group

IFRS 7 – Improving disclosures about financial instruments (applicable for reporting periods beginning on or after 1 January 2009)

Whilst the group has adopted several of the improvements in this set of financial statements, a complete transition to the revised standard will be achieved in the 2010 Annual Report. Changes to the standard have no impact on accounting policies and recognition and measurement of financial instruments.

IFRIC 13 – Customer Loyalty Programmes (applicable for reporting periods beginning on or after 1 July 2008)

IFRIC 13, Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. The impact of this standard is currently being determined by the group.

Improvements to International Financial Reporting Standards 2008 and Improvements to International Financial Reporting Standards 2009

There were numerous updates issued, which are considered by the IASB to be non urgent but important. None of these updates will result in a change to the accounting policies of the group.

The following standards or interpretations have been issued or amended which are deemed to have no impact on the group financial statements but have not been formally adopted by the group:

- IFRS 1 – First-time adoption of International Financial Reporting Standards
- IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IAS 23 – Borrowing Costs
- IAS 39 – Eligible Hedged Items
- IAS 39 and IFRIC 9 – Embedded Derivatives
- IFRIC 15 – Arrangements for the Construction of Real Estate
- IFRIC 16 – Hedges on a Net Investment in a Foreign Operation
- IFRIC 17 – Distribution of Non-cash Assets
- IFRIC 18 – Transfers of Assets from Customers

## Key management assumptions

In preparation of the financial statements the group makes estimations and applies judgement that could affect the reported amount of assets and liabilities within the next financial year. Key areas in which judgement is applied include:

- Valuation of unlisted investments in the private equity and direct investments portfolios. Key valuation inputs are based on observable market inputs, adjusted for factors that specifically apply to the individual investments and recognising market volatility. Details of unlisted investments can be found in note 19 – trading securities and note 21, investment securities.
- Valuation of investment properties is performed twice annually by directors that are qualified valuers. The valuation is performed by capitalising the budgeted net income of a property at the market related yield applicable at the time. Refer to note 28 for the carrying value of investment property.
- The determination of impairments against assets that are carried at amortised cost and impairments relating to available for sale financial assets involves the assessment of future cash flows which is judgemental in nature.
- Determination of interest income and interest expense using the effective interest method involves judgement in determining the timing and extent of future cash flows.



## Notes to the financial statements

| £'000                                                                                     | Called up<br>share<br>capital | Perpetual<br>preference<br>share<br>capital | Share<br>premium<br>account | Treasury<br>shares | Equity<br>portion of<br>convertible<br>instruments |
|-------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------------|-----------------------------|--------------------|----------------------------------------------------|
| <b>2 Consolidated statements of changes in equity</b>                                     |                               |                                             |                             |                    |                                                    |
| At 1 April 2007                                                                           | 169                           | 151                                         | 1 421 881                   | (109 279)          | 2 191                                              |
| <b>Movement in reserves 1 April 2007 - 31 March 2008</b>                                  |                               |                                             |                             |                    |                                                    |
| Foreign currency adjustments                                                              | -                             | -                                           | (19 838)                    | -                  | -                                                  |
| Profit for the year                                                                       | -                             | -                                           | -                           | -                  | -                                                  |
| Pension fund actuarial gains                                                              | -                             | -                                           | -                           | -                  | -                                                  |
| Fair value movements on available for sale assets                                         | -                             | -                                           | -                           | -                  | -                                                  |
| Profit on realisation of available for sale assets recycled through income                | -                             | -                                           | -                           | -                  | -                                                  |
| Total recognised gains and losses for the year                                            | -                             | -                                           | (19 838)                    | -                  | -                                                  |
| Share based payments adjustments                                                          | -                             | -                                           | -                           | -                  | -                                                  |
| Dividends paid to ordinary shareholders                                                   | -                             | -                                           | -                           | -                  | -                                                  |
| Dividends paid to perpetual preference shareholders                                       | -                             | -                                           | -                           | -                  | -                                                  |
| Dividends paid to minorities                                                              | -                             | -                                           | -                           | -                  | -                                                  |
| Issue of ordinary shares                                                                  | 8                             | -                                           | 230 656                     | -                  | -                                                  |
| Issue of equity by subsidiaries                                                           | -                             | -                                           | -                           | -                  | -                                                  |
| Minorities arising on acquisition of subsidiaries                                         | -                             | -                                           | -                           | -                  | -                                                  |
| Share issue expenses                                                                      | -                             | -                                           | (65)                        | -                  | -                                                  |
| Movement of treasury shares                                                               | -                             | -                                           | -                           | (5 625)            | -                                                  |
| Transfer to capital reserves                                                              | -                             | -                                           | -                           | -                  | -                                                  |
| Transfer to regulatory general risk reserve                                               | -                             | -                                           | -                           | -                  | -                                                  |
| At 31 March 2008                                                                          | 177                           | 151                                         | 1 632 634                   | (114 904)          | 2 191                                              |
| <b>Movement in reserves 1 April 2008 - 31 March 2009</b>                                  |                               |                                             |                             |                    |                                                    |
| Foreign currency adjustments                                                              | -                             | -                                           | 27 274                      | -                  | -                                                  |
| Profit for the year                                                                       | -                             | -                                           | -                           | -                  | -                                                  |
| Pension fund actuarial losses                                                             | -                             | -                                           | -                           | -                  | -                                                  |
| Fair value movements on cash flow hedges                                                  | -                             | -                                           | -                           | -                  | -                                                  |
| Fair value movements on available for sale assets                                         | -                             | -                                           | -                           | -                  | -                                                  |
| Losses on realisation and impairment of available for sale assets recycled through income | -                             | -                                           | -                           | -                  | -                                                  |
| Total recognised gains and losses for the year                                            | -                             | -                                           | 27 274                      | -                  | -                                                  |
| Share based payments adjustments                                                          | -                             | -                                           | -                           | -                  | -                                                  |
| Dividends paid to ordinary shareholders                                                   | -                             | -                                           | -                           | -                  | -                                                  |
| Dividends paid to perpetual preference shareholders                                       | -                             | -                                           | -                           | -                  | -                                                  |
| Issue of ordinary shares                                                                  | 13                            | -                                           | 91 751                      | -                  | -                                                  |
| Conversion of convertible instruments                                                     | -                             | -                                           | 17 381                      | -                  | (2 191)                                            |
| Issue of equity by subsidiaries                                                           | -                             | -                                           | -                           | -                  | -                                                  |
| Movement of treasury shares                                                               | -                             | -                                           | -                           | (58 164)           | -                                                  |
| Transfer to capital reserves                                                              | -                             | -                                           | -                           | -                  | -                                                  |
| Transfer from regulatory general risk reserve                                             | -                             | -                                           | -                           | -                  | -                                                  |
| At 31 March 2009                                                                          | 190                           | 151                                         | 1 769 040                   | (173 068)          | -                                                  |

| Capital<br>reserve<br>account | Available<br>for sale<br>reserve | Other reserves                        |          | Cash flow<br>hedge<br>reserve | Foreign<br>currency<br>reserve | Profit and<br>loss<br>account | Share-<br>holders'<br>equity<br>excluding<br>minority<br>interests | Minority<br>interests | Total |
|-------------------------------|----------------------------------|---------------------------------------|----------|-------------------------------|--------------------------------|-------------------------------|--------------------------------------------------------------------|-----------------------|-------|
|                               |                                  | Regulatory<br>general<br>risk reserve |          |                               |                                |                               |                                                                    |                       |       |
| 12 542                        | 30 642                           | 71 940                                | -        | (74 579)                      | 186 827                        | 1 542 485                     | 277 931                                                            | 1 820 416             |       |
| -                             | -                                | -                                     | -        | (48 164)                      | -                              | (68 002)                      | (11 589)                                                           | (79 591)              |       |
| -                             | -                                | -                                     | -        | -                             | 391 558                        | 391 558                       | 28 954                                                             | 420 512               |       |
| -                             | (66 306)                         | -                                     | -        | -                             | 7 619                          | 7 619                         | -                                                                  | 7 619                 |       |
| -                             | 27 399                           | -                                     | -        | -                             | -                              | (66 306)                      | -                                                                  | (66 306)              |       |
| -                             | (38 907)                         | -                                     | -        | (48 164)                      | 399 177                        | 292 268                       | 17 365                                                             | 309 633               |       |
| -                             | -                                | -                                     | -        | -                             | 39 182                         | 39 182                        | -                                                                  | 39 182                |       |
| -                             | -                                | -                                     | -        | -                             | (145 926)                      | (145 926)                     | -                                                                  | (145 926)             |       |
| -                             | -                                | -                                     | -        | -                             | (41 779)                       | (41 779)                      | -                                                                  | (41 779)              |       |
| -                             | -                                | -                                     | -        | -                             | -                              | -                             | (3 923)                                                            | (3 923)               |       |
| -                             | -                                | -                                     | -        | -                             | -                              | 230 664                       | -                                                                  | 230 664               |       |
| -                             | -                                | -                                     | -        | -                             | -                              | -                             | 6 777                                                              | 6 777                 |       |
| -                             | -                                | -                                     | -        | -                             | -                              | -                             | 665                                                                | 665                   |       |
| -                             | -                                | -                                     | -        | -                             | -                              | (65)                          | -                                                                  | (65)                  |       |
| -                             | -                                | -                                     | -        | -                             | -                              | (5 625)                       | -                                                                  | (5 625)               |       |
| (5 609)                       | -                                | -                                     | -        | -                             | 5 609                          | -                             | -                                                                  | -                     |       |
| -                             | -                                | 10 078                                | -        | -                             | (10 078)                       | -                             | -                                                                  | -                     |       |
| 6 933                         | (8 265)                          | 82 018                                | -        | (122 743)                     | 433 012                        | 1 911 204                     | 298 815                                                            | 2 210 019             |       |
| -                             | -                                | 459                                   | -        | 158 664                       | 2 616                          | 189 013                       | 26 640                                                             | 215 653               |       |
| -                             | -                                | -                                     | -        | -                             | 292 022                        | 292 022                       | (5 355)                                                            | 286 667               |       |
| -                             | -                                | -                                     | -        | -                             | (9 722)                        | (9 722)                       | -                                                                  | (9 722)               |       |
| -                             | -                                | -                                     | (16 293) | -                             | -                              | (16 293)                      | -                                                                  | (16 293)              |       |
| -                             | (6 753)                          | -                                     | -        | -                             | -                              | (6 753)                       | -                                                                  | (6 753)               |       |
| -                             | 2 530                            | -                                     | -        | -                             | -                              | 2 530                         | -                                                                  | 2 530                 |       |
| -                             | (4 223)                          | 459                                   | (16 293) | 158 664                       | 284 916                        | 450 797                       | 21 285                                                             | 472 082               |       |
| -                             | -                                | -                                     | -        | -                             | 92 848                         | 92 848                        | -                                                                  | 92 848                |       |
| -                             | -                                | -                                     | -        | -                             | (143 995)                      | (143 995)                     | -                                                                  | (143 995)             |       |
| -                             | -                                | -                                     | -        | -                             | (47 503)                       | (47 503)                      | -                                                                  | (47 503)              |       |
| -                             | -                                | -                                     | -        | -                             | -                              | 91 764                        | -                                                                  | 91 764                |       |
| -                             | -                                | -                                     | -        | -                             | (15 190)                       | -                             | -                                                                  | -                     |       |
| -                             | -                                | -                                     | -        | -                             | -                              | -                             | 3 486                                                              | 3 486                 |       |
| -                             | -                                | -                                     | -        | -                             | -                              | (58 164)                      | -                                                                  | (58 164)              |       |
| 4 949                         | -                                | -                                     | -        | -                             | (4 949)                        | -                             | -                                                                  | -                     |       |
| -                             | -                                | (58 990)                              | -        | -                             | 58 990                         | -                             | -                                                                  | -                     |       |
| 11 882                        | (12 488)                         | 23 487                                | (16 293) | 35 921                        | 658 129                        | 2 296 951                     | 323 586                                                            | 2 620 537             |       |





## Notes to the financial statements

For the year to 31 March  
£'000

|                                                                                        | Private<br>Client<br>Activities | Capital<br>Markets | Investment<br>Banking | Asset<br>Manage-<br>ment | Property<br>Activities | Group<br>Services<br>and Other<br>Activities | Total<br>group   |
|----------------------------------------------------------------------------------------|---------------------------------|--------------------|-----------------------|--------------------------|------------------------|----------------------------------------------|------------------|
| <b>3 Combined consolidated segmental analysis</b>                                      |                                 |                    |                       |                          |                        |                                              |                  |
| <b>Business analysis 2009</b>                                                          |                                 |                    |                       |                          |                        |                                              |                  |
| <b>Net interest income</b>                                                             | 276 287                         | 286 712            | 2 612                 | 7 821                    | (6 886)                | 127 485                                      | 694 031          |
| Fee and commission income                                                              | 136 502                         | 117 437            | 77 400                | 238 373                  | 23 415                 | (313)                                        | 592 814          |
| Fee and commission expense                                                             | (6 443)                         | (1 972)            | (8 359)               | (40 641)                 | (691)                  | (3 186)                                      | (61 292)         |
| Principal transactions                                                                 | 7 865                           | 140 462            | 91 159                | (30)                     | 22 539                 | 14 526                                       | 276 521          |
| Operating income from associates                                                       | 11 864                          | -                  | 248                   | -                        | -                      | 326                                          | 12 438           |
| Investment income on assurance activities                                              | -                               | -                  | -                     | -                        | -                      | 74 584                                       | 74 584           |
| Premiums and reinsurance recoveries on insurance contracts                             | -                               | -                  | -                     | -                        | -                      | 18 773                                       | 18 773           |
| Other operating income/(losses)                                                        | 1 026                           | -                  | (24 774)              | (5 009)                  | (286)                  | (1 197)                                      | (30 240)         |
| Other income                                                                           | 150 814                         | 255 927            | 135 674               | 192 693                  | 44 977                 | 103 513                                      | 883 598          |
| Claims and reinsurance premiums on insurance business                                  | -                               | -                  | -                     | -                        | -                      | (88 108)                                     | (88 108)         |
| <b>Total operating income net of insurance claims</b>                                  | <b>427 101</b>                  | <b>542 639</b>     | <b>138 286</b>        | <b>200 514</b>           | <b>38 091</b>          | <b>142 890</b>                               | <b>1 489 521</b> |
| Impairment losses on loans and advances                                                | (90 094)                        | (155 841)          | (3 858)               | -                        | -                      | (6 380)                                      | (256 173)        |
| <b>Operating income</b>                                                                | <b>337 007</b>                  | <b>386 798</b>     | <b>134 428</b>        | <b>200 514</b>           | <b>38 091</b>          | <b>136 510</b>                               | <b>1 233 348</b> |
| Administrative expenses                                                                | (228 588)                       | (237 980)          | (117 545)             | (133 258)                | (13 395)               | (72 392)                                     | (803 158)        |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | (3 854)                         | (8 215)            | (10 948)              | (789)                    | (15)                   | (6 281)                                      | (30 102)         |
| <b>Operating profit before goodwill</b>                                                | <b>104 565</b>                  | <b>140 603</b>     | <b>5 935</b>          | <b>66 467</b>            | <b>24 681</b>          | <b>57 837</b>                                | <b>400 088</b>   |
| Operating profit before goodwill attributable to minorities                            | -                               | 771                | 22 231                | (281)                    | -                      | (26 043)                                     | (3 322)          |
| <b>Operating profit before goodwill and after minorities</b>                           | <b>104 565</b>                  | <b>141 374</b>     | <b>28 166</b>         | <b>66 186</b>            | <b>24 681</b>          | <b>31 794</b>                                | <b>396 766</b>   |
| Goodwill                                                                               | -                               | (2 365)            | (27 900)              | (2 202)                  | -                      | -                                            | (32 467)         |
| Goodwill attributable to minorities                                                    | -                               | -                  | 8 677                 | -                        | -                      | -                                            | 8 677            |
| <b>Operating profit after minorities</b>                                               | <b>104 565</b>                  | <b>139 009</b>     | <b>8 943</b>          | <b>63 984</b>            | <b>24 681</b>          | <b>31 794</b>                                | <b>372 976</b>   |
| <b>Reconciliation to profit before taxation</b>                                        |                                 |                    |                       |                          |                        |                                              |                  |
| Operating profit after minorities                                                      |                                 |                    |                       |                          |                        |                                              | 372 976          |
| Operating profit before goodwill attributable to minorities                            |                                 |                    |                       |                          |                        |                                              | 3 322            |
| Goodwill attributable to minorities                                                    |                                 |                    |                       |                          |                        |                                              | (8 677)          |
| Profit on disposal of group operations                                                 |                                 |                    |                       |                          |                        |                                              | 721              |
| <b>Profit before taxation</b>                                                          |                                 |                    |                       |                          |                        |                                              | <b>368 342</b>   |
| Net intersegment revenue                                                               | (303 268)                       | 244 452            | (12 893)              | 1 261                    | (8 503)                | 78 951                                       | -                |
| ROE (pre-taxation)*                                                                    | 14 8%                           | 18 7%              | 13 9%                 | 41 4%                    | 47 5%                  | 9 6%                                         | 19 2%            |
| Cost to income ratio                                                                   | 54 4%                           | 45 4%              | 92 9%                 | 66 9%                    | 35 2%                  | 55 1%                                        | 55 9%            |
| Number of permanent employees                                                          | 2 304                           | 1 012              | 359                   | 878                      | 75                     | 995                                          | 5 623            |
| Total assets (£'million)                                                               | 12 258                          | 19 689             | 886                   | 407                      | 238                    | 3 627                                        | 37 105           |
| Adjusted shareholders' equity (£'million)*                                             | 714                             | 818                | 191                   | 120                      | 49                     | 105                                          | 1 997            |
| Adjusted tangible shareholders' equity (£'million)*                                    | 673                             | 743                | 139                   | 13                       | 49                     | 105                                          | 1 722            |

\* Refer to calculation on page 28

## Notes to the financial statements

| For the year to 31 March<br>£'000                                                      | Private<br>Client<br>Activities | Capital<br>Markets | Investment<br>Banking | Asset<br>Manage-<br>ment | Property<br>Activities | Group<br>Services<br>and Other<br>Activities | Total<br>group |
|----------------------------------------------------------------------------------------|---------------------------------|--------------------|-----------------------|--------------------------|------------------------|----------------------------------------------|----------------|
| <b>3 Combined consolidated segmental analysis (continued)</b>                          |                                 |                    |                       |                          |                        |                                              |                |
| <b>Business analysis 2008</b>                                                          |                                 |                    |                       |                          |                        |                                              |                |
| <b>Net interest income</b>                                                             | 272 742                         | 227 174            | (8 463)               | 7 558                    | (10 513)               | 94 922                                       | 583 420        |
| Fee and commission income                                                              | 160 181                         | 80 983             | 97 885                | 253 385                  | 20 764                 | 1 159                                        | 614 357        |
| Fee and commission expense                                                             | (12 508)                        | 5 848              | (9 282)               | (45 902)                 | -                      | (1 217)                                      | (63 061)       |
| Principal transactions                                                                 | 35 872                          | 97 998             | 79 583                | 56                       | 45 275                 | 17 921                                       | 276 705        |
| Operating income from associates                                                       | 11 953                          | (266)              | 215                   | -                        | -                      | 236                                          | 12 138         |
| Investment income on assurance activities                                              | -                               | -                  | -                     | -                        | -                      | 89 593                                       | 89 593         |
| Premiums and reinsurance recoveries on insurance contracts                             | -                               | -                  | -                     | -                        | -                      | 40 849                                       | 40 849         |
| Other operating income                                                                 | -                               | -                  | 44 801                | 3 603                    | -                      | 1 639                                        | 50 043         |
| <b>Other income</b>                                                                    | 195 498                         | 184 563            | 213 202               | 211 142                  | 66 039                 | 150 180                                      | 1 020 624      |
| Claims and reinsurance premiums on insurance business                                  | -                               | -                  | -                     | -                        | -                      | (120 358)                                    | (120 358)      |
| <b>Total operating income net of insurance claims</b>                                  | 468 240                         | 411 737            | 204 739               | 218 700                  | 55 526                 | 124 744                                      | 1 483 686      |
| Impairment losses on loans and advances                                                | (33 326)                        | (79 336)           | (1 356)               | -                        | -                      | (167)                                        | (114 185)      |
| <b>Operating income</b>                                                                | 434 914                         | 332 401            | 203 383               | 218 700                  | 55 526                 | 124 577                                      | 1 369 501      |
| Administrative expenses                                                                | (238 331)                       | (209 911)          | (118 106)             | (140 970)                | (18 895)               | (81 287)                                     | (807 500)      |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | (2 847)                         | (6 740)            | (7 947)               | (909)                    | (310)                  | (5 577)                                      | (24 330)       |
| <b>Operating profit before goodwill</b>                                                | 193 736                         | 115 750            | 77 330                | 76 821                   | 36 321                 | 37 713                                       | 537 671        |
| Operating profit before goodwill attributable to minorities                            | -                               | (119)              | (4 804)               | (410)                    | -                      | (23 621)                                     | (28 954)       |
| <b>Operating profit before goodwill and after minorities</b>                           | 193 736                         | 115 631            | 72 526                | 76 411                   | 36 321                 | 14 092                                       | 508 717        |
| Goodwill                                                                               | -                               | (59 900)           | -                     | (2 865)                  | -                      | -                                            | (62 765)       |
| <b>Operating profit after minorities</b>                                               | 193 736                         | 55 731             | 72 526                | 73 546                   | 36 321                 | 14 092                                       | 445 952        |
| <b>Reconciliation to profit before taxation</b>                                        |                                 |                    |                       |                          |                        |                                              |                |
| Operating profit after minorities                                                      |                                 |                    |                       |                          |                        |                                              | 445 952        |
| Operating profit before goodwill attributable to minorities                            |                                 |                    |                       |                          |                        |                                              | 28 954         |
| Profit on disposal of group operations                                                 |                                 |                    |                       |                          |                        |                                              | 72 855         |
| <b>Profit before taxation</b>                                                          |                                 |                    |                       |                          |                        |                                              | 547 761        |
| Net intersegment revenue                                                               | (169 813)                       | 94 865             | (17 671)              | 626                      | (9 433)                | 101 426                                      | -              |
| ROE (pre-taxation)*                                                                    | 35 3%                           | 23 4%              | 34 3%                 | 55 0%                    | 122 8%                 | 1 4%                                         | 31 7%          |
| Cost to income ratio                                                                   | 51 5%                           | 52 6%              | 61 6%                 | 64 9%                    | 34 6%                  | 69 6%                                        | 56 1%          |
| Number of permanent employees                                                          | 2 477                           | 1 042              | 368                   | 906                      | 71                     | 1 050                                        | 5 914          |
| Total assets (£'million)                                                               | 10 011                          | 18 384             | 823                   | 460                      | 203                    | 4 223                                        | 34 104         |
| Adjusted shareholders' equity (£'million)*                                             | 583                             | 647                | 176                   | 116                      | 30                     | 101                                          | 1 653          |
| Adjusted tangible shareholders' equity (£'million)*                                    | 543                             | 567                | 112                   | 10                       | 30                     | 101                                          | 1 363          |

\* Refer to calculation on page 28

## Notes to the financial statements

| For the year to 31 March<br>£'000                                                      | UK and<br>Europe | Southern<br>Africa | Australia | Total<br>group |
|----------------------------------------------------------------------------------------|------------------|--------------------|-----------|----------------|
| <b>3 Combined consolidated segmental analysis (continued)</b>                          |                  |                    |           |                |
| <b>Geographical income statement analysis 2009</b>                                     |                  |                    |           |                |
| Net interest income                                                                    | 352 188          | 287 675            | 54 168    | 694 031        |
| Fee and commission income                                                              | 319 629          | 249 294            | 23 891    | 592 814        |
| Fee and commission expense                                                             | (48 270)         | (11 673)           | (1 349)   | (61 292)       |
| Principal transactions                                                                 | 114 650          | 160 591            | 1 280     | 276 521        |
| Operating income from associates                                                       | 12 624           | (5)                | (181)     | 12 438         |
| Investment income on assurance activities                                              | -                | 74 584             | -         | 74 584         |
| Premiums and reinsurance recoveries on insurance contracts                             | -                | 18 773             | -         | 18 773         |
| Other operating losses                                                                 | (18 013)         | (7 241)            | (4 986)   | (30 240)       |
| Other income                                                                           | 380 620          | 484 323            | 18 655    | 883 598        |
| Claims and reinsurance premiums on insurance business                                  | -                | (88 108)           | -         | (88 108)       |
| Total operating income net of insurance claims                                         | 732 808          | 683 890            | 72 823    | 1 489 521      |
| Impairment losses on loans and advances                                                | (182 036)        | (51 452)           | (22 685)  | (256 173)      |
| Operating income                                                                       | 550 772          | 632 438            | 50 138    | 1 233 348      |
| Administrative expenses                                                                | (431 478)        | (322 612)          | (49 068)  | (803 158)      |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | (22 978)         | (6 057)            | (1 067)   | (30 102)       |
| Operating profit before goodwill                                                       | 96 316           | 303 769            | 3         | 400 088        |
| Operating profit before goodwill attributable to minorities                            | 4 574            | (10 341)           | 2 445     | (3 322)        |
| Operating profit before goodwill and after minorities                                  | 100 890          | 293 428            | 2 448     | 396 766        |
| Goodwill                                                                               | (24 825)         | (2 202)            | (5 440)   | (32 467)       |
| Goodwill attributable to minorities                                                    | 12 107           | (6 557)            | 3 127     | 8 677          |
| Operating profit after minorities                                                      | 88 172           | 284 669            | 135       | 372 976        |
| Profit on disposal of group operations                                                 | -                | 721                | -         | 721            |
| Profit before taxation and after minorities                                            | 88 172           | 285 390            | 135       | 373 697        |
| Taxation                                                                               | (13 203)         | (72 802)           | 4 330     | (81 675)       |
| Earnings attributable to shareholders                                                  | 74 969           | 212 588            | 4 465     | 292 022        |
| Net intersegment revenue                                                               | (6 008)          | 6 201              | (193)     | -              |
| ROE (post-taxation)*                                                                   | 8.3%             | 25.6%              | 2.8%      | 14.8%          |
| Cost to income ratio                                                                   | 62.0%            | 48.1%              | 68.8%     | 55.9%          |
| Effective operational taxation rate                                                    | 15.8%            | 24.0%              | >100%     | 21.1%          |
| Number of permanent employees                                                          | 1 728            | 3 541              | 354       | 5 623          |

\* Refer to calculation on page 27

## Notes to the financial statements

| At 31 March<br>£'000                                                     | UK and<br>Europe  | Southern<br>Africa | Australia        | Total<br>group    |
|--------------------------------------------------------------------------|-------------------|--------------------|------------------|-------------------|
| <b>3 Combined consolidated segmental analysis (continued)</b>            |                   |                    |                  |                   |
| <b>Geographical analysis of assets and liabilities 2009</b>              |                   |                    |                  |                   |
| <b>Assets</b>                                                            |                   |                    |                  |                   |
| Cash and balances at central banks                                       | 872 101           | 232 654            | 334              | 1 105 089         |
| Loans and advances to banks                                              | 987 859           | 897 559            | 132 671          | 2 018 089         |
| Cash equivalent advances to customers                                    | -                 | 396 173            | -                | 396 173           |
| Reverse repurchase agreements and cash collateral on securities borrowed | 253 247           | 316 523            | -                | 569 770           |
| Trading securities                                                       | 356 147           | 1 951 962          | 5 736            | 2 313 845         |
| Derivative financial instruments                                         | 747 225           | 736 353            | 99 330           | 1 582 908         |
| Investment securities                                                    | 367 456           | 46 806             | 649 307          | 1 063 569         |
| Loans and advances to customers                                          | 6 178 268         | 8 245 666          | 966 585          | 15 390 519        |
| Loans and advances to customers - Kensington warehouse assets            | 1 897 878         | -                  | -                | 1 897 878         |
| Securitisd assets                                                        | 4 228 165         | 958 598            | 441 584          | 5 628 347         |
| Interests in associated undertakings                                     | 87 164            | 2 489              | 3 841            | 93 494            |
| Deferred taxation assets                                                 | 74 325            | 37 456             | 24 976           | 136 757           |
| Other assets                                                             | 527 547           | 347 786            | 18 729           | 894 062           |
| Property, plant and equipment                                            | 156 495           | 13 981             | 4 056            | 174 532           |
| Investment properties                                                    | -                 | 189 156            | -                | 189 156           |
| Goodwill                                                                 | 200 208           | 22 601             | 33 163           | 255 972           |
| Intangible assets                                                        | 24 024            | 6 519              | 3 859            | 34 402            |
|                                                                          | <b>16 958 109</b> | <b>14 402 282</b>  | <b>2 384 171</b> | <b>33 744 562</b> |
| Other financial instruments at fair value through income in respect of   |                   |                    |                  |                   |
| - linked liabilities to customers                                        | -                 | 3 358 338          | -                | 3 358 338         |
| - assets related to reinsurance contracts                                | -                 | 1 768              | -                | 1 768             |
| <b>Total assets</b>                                                      | <b>16 958 109</b> | <b>17 762 388</b>  | <b>2 384 171</b> | <b>37 104 668</b> |
| <b>Liabilities</b>                                                       |                   |                    |                  |                   |
| Deposits by banks                                                        | 2 783 331         | 895 710            | 102 112          | 3 781 153         |
| Deposits by banks - Kensington warehouse funding                         | 1 412 961         | -                  | -                | 1 412 961         |
| Derivative financial instruments                                         | 349 404           | 773 865            | 73 057           | 1 196 326         |
| Other trading liabilities                                                | 191 897           | 152 664            | -                | 344 561           |
| Repurchase agreements and cash collateral on securities lent             | 747 177           | 168 673            | -                | 915 850           |
| Customer accounts                                                        | 4 376 051         | 9 345 797          | 850 720          | 14 572 568        |
| Debt securities in issue                                                 | 314 429           | 70 252             | 630 190          | 1 014 871         |
| Liabilities arising on securitisation                                    | 3 946 872         | 817 655            | 438 946          | 5 203 473         |
| Current taxation liabilities                                             | 68 642            | 94 127             | (7 374)          | 155 395           |
| Deferred taxation liabilities                                            | 50 022            | 70 113             | -                | 120 135           |
| Other liabilities                                                        | 416 449           | 826 568            | 21 127           | 1 264 144         |
| Pension fund liabilities                                                 | 1 212             | -                  | -                | 1 212             |
|                                                                          | <b>14 658 447</b> | <b>13 215 424</b>  | <b>2 108 778</b> | <b>29 982 649</b> |
| Liabilities to customers under investment contracts                      | -                 | 3 352 863          | -                | 3 352 863         |
| Insurance liabilities, including unit-linked liabilities                 | -                 | 5 475              | -                | 5 475             |
| Reinsured liabilities                                                    | -                 | 1 768              | -                | 1 768             |
|                                                                          | <b>14 658 447</b> | <b>16 575 530</b>  | <b>2 108 778</b> | <b>33 342 755</b> |
| Subordinated liabilities (including convertible debt)                    | 739 819           | 363 034            | 38 523           | 1 141 376         |
| <b>Total liabilities</b>                                                 | <b>15 398 266</b> | <b>16 938 564</b>  | <b>2 147 301</b> | <b>34 484 131</b> |



## Notes to the financial statements

| For the year to 31 March<br>£'000                                                      | UK and<br>Europe | Southern<br>Africa | Australia | Total<br>group |
|----------------------------------------------------------------------------------------|------------------|--------------------|-----------|----------------|
| <b>3 Combined consolidated segmental analysis (continued)</b>                          |                  |                    |           |                |
| <b>Geographical income statement analysis 2008</b>                                     |                  |                    |           |                |
| Net interest income                                                                    | 296 362          | 230 580            | 56 478    | 583 420        |
| Fee and commission income                                                              | 324 375          | 265 183            | 24 799    | 614 357        |
| Fee and commission expense                                                             | (51 916)         | (10 084)           | (1 061)   | (63 061)       |
| Principal transactions                                                                 | 60 855           | 201 182            | 14 668    | 276 705        |
| Operating income from associates                                                       | 12 200           | (11)               | (51)      | 12 138         |
| Investment income on assurance activities                                              | -                | 89 593             | -         | 89 593         |
| Premiums and reinsurance recoveries on insurance contracts                             | -                | 40 849             | -         | 40 849         |
| Other operating income                                                                 | 44 954           | 3 589              | 1 500     | 50 043         |
| Other income                                                                           | 390 468          | 590 301            | 39 855    | 1 020 624      |
| Claims and reinsurance premiums on insurance business                                  | -                | (120 358)          | -         | (120 358)      |
| Total operating income net of insurance claims                                         | 686 830          | 700 523            | 96 333    | 1 483 686      |
| Impairment losses on loans and advances                                                | (76 989)         | (30 844)           | (6 352)   | (114 185)      |
| Operating income                                                                       | 609 841          | 669 679            | 89 981    | 1 369 501      |
| Administrative expenses                                                                | (427 688)        | (323 618)          | (56 194)  | (807 500)      |
| Depreciation, amortisation and impairment of property, equipment and intangible assets | (17 525)         | (6 091)            | (714)     | (24 330)       |
| Operating profit before goodwill                                                       | 164 628          | 339 970            | 33 073    | 537 671        |
| Operating profit before goodwill attributable to minorities                            | (27 019)         | (743)              | (1 192)   | (28 954)       |
| Operating profit before goodwill and after minorities                                  | 137 609          | 339 227            | 31 881    | 508 717        |
| Goodwill                                                                               | (59 900)         | (2 865)            | -         | (62 765)       |
| Operating profit after minorities                                                      | 77 709           | 336 362            | 31 881    | 445 952        |
| Profit on disposal of group operations                                                 | -                | 72 855             | -         | 72 855         |
| Profit before taxation and after minorities                                            | 77 709           | 409 217            | 31 881    | 518 807        |
| Taxation                                                                               | (30 964)         | (90 289)           | (5 996)   | (127 249)      |
| Earnings attributable to shareholders                                                  | 46 745           | 318 928            | 25 885    | 391 558        |
| Net intersegment revenue                                                               | 5 151            | (6 613)            | 1 462     | -              |
| ROE (post-taxation)*                                                                   | 11.8%            | 41.9%              | 15.0%     | 23.6%          |
| Cost to income ratio                                                                   | 64.8%            | 47.1%              | 59.1%     | 56.1%          |
| Effective operational taxation rate                                                    | 20.3%            | 24.1%              | 18.1%     | 22.6%          |
| Number of permanent employees                                                          | 1 824            | 3 666              | 424       | 5 914          |

\* Refer to calculation on page 27

## Notes to the financial statements

| At 31 March<br>£'000                                                     | UK and<br>Europe  | Southern<br>Africa | Australia        | Other<br>geographies | Total<br>group    |
|--------------------------------------------------------------------------|-------------------|--------------------|------------------|----------------------|-------------------|
| <b>3 Combined consolidated segmental analysis<br/>(continued)</b>        |                   |                    |                  |                      |                   |
| <b>Geographical analysis of assets and liabilities 2008</b>              |                   |                    |                  |                      |                   |
| <b>Assets</b>                                                            |                   |                    |                  |                      |                   |
| Cash and balances at central banks                                       | 608 439           | 173 844            | 6 189            | -                    | 788 472           |
| Loans and advances to banks                                              | 991 798           | 1 024 225          | 137 750          | -                    | 2 153 773         |
| Cash equivalent advances to customers                                    | 7 183             | 497 199            | -                | -                    | 504 382           |
| Reverse repurchase agreements and cash collateral on securities borrowed | 350 616           | 443 537            | -                | -                    | 794 153           |
| Trading securities                                                       | 441 749           | 1 526 490          | 16 341           | -                    | 1 984 580         |
| Derivative financial instruments                                         | 639 030           | 598 021            | 68 213           | -                    | 1 305 264         |
| Investment securities                                                    | 809 113           | 13 711             | 307 316          | 732                  | 1 130 872         |
| Loans and advances to customers                                          | 5 452 539         | 5 731 424          | 827 298          | -                    | 12 011 261        |
| Loans and advances to customers - Kensington warehouse assets            | 2 034 874         | -                  | -                | -                    | 2 034 874         |
| Securitised assets                                                       | 4 905 922         | 831 507            | 345 546          | -                    | 6 082 975         |
| Interests in associated undertakings                                     | 79 794            | 9                  | 2 773            | -                    | 82 576            |
| Deferred taxation assets                                                 | 44 649            | 29 017             | 10 827           | -                    | 84 493            |
| Other assets                                                             | 570 823           | 303 332            | 8 054            | -                    | 882 209           |
| Property and equipment                                                   | 127 586           | 10 226             | 3 540            | -                    | 141 352           |
| Investment properties                                                    | -                 | 134 975            | -                | -                    | 134 975           |
| Goodwill                                                                 | 215 068           | 20 789             | 36 075           | -                    | 271 932           |
| Intangible assets                                                        | 25 044            | 4 618              | 1 844            | -                    | 31 506            |
|                                                                          | <b>17 304 227</b> | <b>11 342 924</b>  | <b>1 771 766</b> | <b>732</b>           | <b>30 419 649</b> |
| Other financial instruments at fair value through income in respect of   |                   |                    |                  |                      |                   |
| - liabilities to customers                                               | -                 | 2 878 894          | -                | -                    | 2 878 894         |
| - assets related to reinsurance contracts                                | -                 | 805 009            | -                | -                    | 805 009           |
|                                                                          | <b>17 304 227</b> | <b>15 026 827</b>  | <b>1 771 766</b> | <b>732</b>           | <b>34 103 552</b> |
| <b>Liabilities</b>                                                       |                   |                    |                  |                      |                   |
| Deposits by banks                                                        | 2 856 335         | 583 079            | 49 618           | -                    | 3 489 032         |
| Deposits by banks - Kensington warehouse funding                         | 1 778 438         | -                  | -                | -                    | 1 778 438         |
| Derivative financial instruments                                         | 192 469           | 633 036            | 56 072           | -                    | 881 577           |
| Other trading liabilities                                                | 192 987           | 257 593            | -                | -                    | 450 580           |
| Repurchase agreements and cash collateral on securities lent             | 287 585           | 94 799             | -                | -                    | 382 384           |
| Customer accounts                                                        | 4 442 854         | 7 142 356          | 547 910          | -                    | 12 133 120        |
| Debt securities in issue                                                 | 222 963           | 156 097            | 398 709          | -                    | 777 769           |
| Liabilities arising on securitisation                                    | 4 627 586         | 783 552            | 349 070          | -                    | 5 760 208         |
| Current taxation liabilities                                             | 52 498            | 78 661             | 1 497            | -                    | 132 656           |
| Deferred taxation liabilities                                            | 41 856            | 37 316             | -                | -                    | 79 172            |
| Other liabilities                                                        | 661 066           | 586 489            | 31 741           | 77                   | 1 279 373         |
| Pension fund liabilities                                                 | -                 | -                  | -                | -                    | -                 |
|                                                                          | <b>15 356 637</b> | <b>10 352 978</b>  | <b>1 434 617</b> | <b>77</b>            | <b>27 144 309</b> |
| Liabilities to customers under investment contracts                      | -                 | 2 862 916          | -                | -                    | 2 862 916         |
| Insurance liabilities, including unit-linked liabilities                 | -                 | 15 978             | -                | -                    | 15 978            |
| Reinsured liabilities                                                    | -                 | 805 009            | -                | -                    | 805 009           |
|                                                                          | <b>15 356 637</b> | <b>14 036 881</b>  | <b>1 434 617</b> | <b>77</b>            | <b>30 828 212</b> |
| Subordinated liabilities (including convertible debt)                    | 737 212           | 292 162            | 35 947           | -                    | 1 065 321         |
|                                                                          | <b>16 093 849</b> | <b>14 329 043</b>  | <b>1 470 564</b> | <b>77</b>            | <b>31 893 533</b> |



## Notes to the financial statements

### 3 Combined consolidated segmental analysis (continued)

A geographical analysis of business operating profit before goodwill non-operating items, taxation and after minorities is shown below

| For the year to 31 March<br>£'000   | UK and<br>Europe | Southern<br>Africa | Australia     | Total<br>group |
|-------------------------------------|------------------|--------------------|---------------|----------------|
| <b>2009</b>                         |                  |                    |               |                |
| Private Client Activities           | 54 078           | 48 012             | 2 475         | 104 565        |
| Capital Markets                     | 78 015           | 61 150             | 2 209         | 141 374        |
| Investment Banking                  | (30 810)         | 66 065             | (7 089)       | 28 166         |
| Asset Management                    | 17 149           | 49 037             | -             | 66 186         |
| Property Activities                 | 774              | 21 769             | 2 138         | 24 681         |
| Group Services and Other Activities | (18 316)         | 47 395             | 2 715         | 31 794         |
|                                     | <b>100 890</b>   | <b>293 428</b>     | <b>2 448</b>  | <b>396 766</b> |
| Minority interest - equity          |                  |                    |               | 3 322          |
| Operating profit before goodwill    |                  |                    |               | <b>400 088</b> |
| <b>2008</b>                         |                  |                    |               |                |
| Private Client Activities           | 103 548          | 72 173             | 18 015        | 193 736        |
| Capital Markets                     | 39 187           | 68 118             | 8 326         | 115 631        |
| Investment Banking                  | 3 995            | 64 775             | 3 756         | 72 526         |
| Asset Management                    | 24 940           | 51 471             | -             | 76 411         |
| Property Activities                 | 144              | 36 078             | 99            | 36 321         |
| Group Services and Other Activities | (34 205)         | 46 612             | 1 685         | 14 092         |
|                                     | <b>137 609</b>   | <b>339 227</b>     | <b>31 881</b> | <b>508 717</b> |
| Minority interest - equity          |                  |                    |               | 28 954         |
| Operating profit before goodwill    |                  |                    |               | <b>537 671</b> |

A further analysis of business line operating profit before goodwill, non-operating items, taxation and after minorities is shown below

| For the year to 31 March<br>£'000                    | 2009           | 2008           |
|------------------------------------------------------|----------------|----------------|
| <b>Private Client Activities</b>                     |                |                |
| Private Banking                                      | 80 463         | 166 394        |
| Private Client Portfolio Management and Stockbroking | 24 102         | 27 342         |
|                                                      | <b>104 565</b> | <b>193 736</b> |
| <b>Capital Markets</b>                               | <b>141 374</b> | <b>115 631</b> |
| Investment Banking                                   |                |                |
| Corporate Finance                                    | 5 630          | 14 277         |
| Institutional Research, Sales and Trading            | 10 231         | 12 422         |
| Principal Investments                                | 12 305         | 45 827         |
|                                                      | <b>28 166</b>  | <b>72 526</b>  |
| <b>Asset Management</b>                              | <b>66 186</b>  | <b>76 411</b>  |
| <b>Property Activities</b>                           | <b>24 681</b>  | <b>36 321</b>  |
| <b>Group Services and Other Activities</b>           |                |                |
| International Trade Finance                          | 7 215          | 7 258          |
| Central Funding                                      | 90 721         | 80 223         |
| Central Costs                                        | (66 142)       | (73 389)       |
|                                                      | <b>31 794</b>  | <b>14 092</b>  |
| <b>Total group</b>                                   | <b>396 766</b> | <b>508 717</b> |

## Notes to the financial statements

| For the year to 31 March<br>£'000                                                                                                                                                                                                                                                        | 2009            | 2008           |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|
| <b>4 Principal transactions</b>                                                                                                                                                                                                                                                          |                 |                |
| Principal transaction income includes                                                                                                                                                                                                                                                    |                 |                |
| Gross trading income                                                                                                                                                                                                                                                                     | 276 249         | 170 680        |
| Funding cost against trading income                                                                                                                                                                                                                                                      | (44 846)        | (55 509)       |
| Net trading income                                                                                                                                                                                                                                                                       | 231 403         | 115 171        |
| Fair value movement from financial instruments designated as held at fair value                                                                                                                                                                                                          | (8 220)         | 56 785         |
| Gains on realisation of available for sale instruments                                                                                                                                                                                                                                   | 6 642           | 34 210         |
| Impairments on available for sale instruments                                                                                                                                                                                                                                            | (3 519)         | -              |
| Fair value adjustment on investment properties                                                                                                                                                                                                                                           | 16 114          | 43 560         |
| Dividend income                                                                                                                                                                                                                                                                          | 28 729          | 25 154         |
| Other income                                                                                                                                                                                                                                                                             | 5 372           | 1 825          |
|                                                                                                                                                                                                                                                                                          | <b>276 521</b>  | <b>276 705</b> |
| Fair value movement from financial instruments designated as held at fair value includes                                                                                                                                                                                                 |                 |                |
| Fair value movement of designated equity positions                                                                                                                                                                                                                                       | 21 607          | 81 373         |
| Fair value movement of designated loans and receivables net of associated derivative instruments                                                                                                                                                                                         | 48 695          | (17 283)       |
| Fair value movement of other designated securities                                                                                                                                                                                                                                       | (48 011)        | (27 936)       |
| Fair value movement of designated liabilities                                                                                                                                                                                                                                            | (30 511)        | 20 631         |
|                                                                                                                                                                                                                                                                                          | <b>(8 220)</b>  | <b>56 785</b>  |
| <b>5 Other operating (loss)/income</b>                                                                                                                                                                                                                                                   |                 |                |
| Rental income from properties                                                                                                                                                                                                                                                            | 1 037           | 1 307          |
| Losses on realisation of properties                                                                                                                                                                                                                                                      | (1 662)         | -              |
| Operating (loss)/income of non core businesses*                                                                                                                                                                                                                                          | (29 615)        | 48 736         |
|                                                                                                                                                                                                                                                                                          | <b>(30 240)</b> | <b>50 043</b>  |
| * Includes net operating income of certain private equity investments that have been consolidated<br>Operating income includes gross income of £192.6 million (2008: £147.1 million) net of all direct cost of sales. Their other indirect costs are included in administrative expenses |                 |                |
| <b>6 Administrative expenses</b>                                                                                                                                                                                                                                                         |                 |                |
| Staff costs                                                                                                                                                                                                                                                                              | 520 271         | 552 419        |
| - Salaries and wages (including directors' remuneration)^                                                                                                                                                                                                                                | 428 500         | 469 962        |
| - Share based payments expense                                                                                                                                                                                                                                                           | 47 286          | 39 600         |
| - Social security costs                                                                                                                                                                                                                                                                  | 23 895          | 25 066         |
| - Pensions and provident fund contributions                                                                                                                                                                                                                                              | 20 590          | 17 791         |
| Premises expenses (excluding depreciation)                                                                                                                                                                                                                                               | 47 632          | 45 737         |
| Equipment expenses (excluding depreciation)                                                                                                                                                                                                                                              | 47 206          | 37 087         |
| Business expenses**                                                                                                                                                                                                                                                                      | 153 766         | 141 258        |
| Marketing expenses                                                                                                                                                                                                                                                                       | 34 283          | 30 999         |
|                                                                                                                                                                                                                                                                                          | <b>803 158</b>  | <b>807 500</b> |
| The following amounts were paid to the auditors                                                                                                                                                                                                                                          |                 |                |
| Group audit                                                                                                                                                                                                                                                                              | 2 027           | 1 900          |
| Subsidiary statutory audit                                                                                                                                                                                                                                                               | 3 490           | 3 270          |
| Regulatory reporting                                                                                                                                                                                                                                                                     | 203             | 260            |
| Other audit services                                                                                                                                                                                                                                                                     | -               | 230            |
| Total audit fees                                                                                                                                                                                                                                                                         | <b>5 720</b>    | <b>5 660</b>   |
| Taxation services                                                                                                                                                                                                                                                                        | 707             | 820            |
| Other non-audit fees                                                                                                                                                                                                                                                                     | 523             | 600            |
| Total non-audit fees                                                                                                                                                                                                                                                                     | <b>1 230</b>    | <b>1 420</b>   |
| Total fees                                                                                                                                                                                                                                                                               | <b>6 950</b>    | <b>7 080</b>   |
| Audit fees by audit firm                                                                                                                                                                                                                                                                 |                 |                |
| Ernst & Young                                                                                                                                                                                                                                                                            | 5 710           | 5 790          |
| KPMG Inc                                                                                                                                                                                                                                                                                 | 1 240           | 1 290          |
|                                                                                                                                                                                                                                                                                          | <b>6 950</b>    | <b>7 080</b>   |

^ Details of the directors' emoluments, pensions and their interests are disclosed in the Remuneration Report on pages 189 to 205

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



## Notes to the financial statements

### 7 Share based payments

The group operates share option and share purchase schemes for employees, the majority of which are on an equity settled basis. The purpose of the staff share schemes is to promote an 'esprit de corps' within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group. Further information on the group share options and long-term incentive plans are provided on pages 194 to 197 of the Remuneration Report.

| Expense charged to the income statement<br>(included in administrative expenses)<br>£'000 | PC*           | CM*          | IB*          | AM*          | PA*          | GSO*          | Total<br>group |
|-------------------------------------------------------------------------------------------|---------------|--------------|--------------|--------------|--------------|---------------|----------------|
| <b>2009</b>                                                                               |               |              |              |              |              |               |                |
| Equity settled                                                                            | 10 760        | 7 034        | 7 113        | 4 093        | 920          | 17 381        | 47 301         |
| Cash settled                                                                              | (4)           | (23)         | 9            | -            | -            | 3             | (15)           |
| <b>Total income statement charge</b>                                                      | <b>10 756</b> | <b>7 011</b> | <b>7 122</b> | <b>4 093</b> | <b>920</b>   | <b>17 384</b> | <b>47 286</b>  |
| <b>2008</b>                                                                               |               |              |              |              |              |               |                |
| Equity settled                                                                            | 8 684         | 5 342        | 5 948        | 3 089        | 1 079        | 15 040        | 39 182         |
| Cash settled                                                                              | 64            | 60           | 100          | -            | -            | 194           | 418            |
| <b>Total income statement charge</b>                                                      | <b>8 748</b>  | <b>5 402</b> | <b>6 048</b> | <b>3 089</b> | <b>1 079</b> | <b>15 234</b> | <b>39 600</b>  |

Included in the above income statement charge is an accelerated share based payment charge as a result of modifications to certain options granted. The accelerated expense for the year was £1 125 388 (2008 Nil).

An additional amount of £45.6 million charged to the income statement, as part of the variable remuneration expense within personnel costs, has a corresponding credit to equity as it forms part of a share based payment. This arises from the group introducing a non-cash deferred component to variable remuneration payments. The number of shares to be delivered in lieu of cash payments is the value of the award divided by the value per share applicable to the awards.

\* PC = Private Client Activities, CM = Capital Markets, IB = Investment Banking, AM = Asset Management, PA = Property Activities, GSO = Group Services and Other Activities

|                                                                   | 2009  | 2008   |
|-------------------------------------------------------------------|-------|--------|
| <b>Liabilities on cash settled options</b>                        |       |        |
| Total liability included in other liabilities                     | -     | 6      |
| Total fair value for vested appreciation rights                   | -     | 13     |
| <b>Weighted average fair value of options granted in the year</b> |       |        |
| UK Schemes                                                        | 9 447 | 25 239 |
| SA Schemes                                                        | 9 385 | 28 509 |

| Details of options<br>outstanding during the<br>year | UK schemes                    |                                               |                               |                                               | South African schemes         |                                               |                               |                                               |
|------------------------------------------------------|-------------------------------|-----------------------------------------------|-------------------------------|-----------------------------------------------|-------------------------------|-----------------------------------------------|-------------------------------|-----------------------------------------------|
|                                                      | 2009                          | 2008                                          | 2009                          | 2008                                          | 2009                          | 2008                                          | 2009                          | 2008                                          |
|                                                      | Number of<br>share<br>options | Weighted<br>average<br>exercise<br>price<br>£ | Number of<br>share<br>options | Weighted<br>average<br>exercise<br>price<br>£ | Number of<br>share<br>options | Weighted<br>average<br>exercise<br>price<br>R | Number of<br>share<br>options | Weighted<br>average<br>exercise<br>price<br>R |
| Outstanding at the beginning of the year             | 28 304 271                    | 0.53                                          | 29 029 906                    | 0.84                                          | 28 917 806                    | 6.55                                          | 30 542 346                    | 14.02                                         |
| Granted during the year                              | 6 251 281                     | 0.07                                          | 7 290 269                     | 0.26                                          | 5 498 450                     | -                                             | 7 601 180                     | -                                             |
| Exercised during the year**                          | (2 592 134)                   | 0.88                                          | (5 790 043)                   | 1.63                                          | (1 691 084)                   | 26.28                                         | (7 433 770)                   | 30.30                                         |
| Expired during the year                              | (1 075 426)                   | 3.69                                          | (2 225 861)                   | 0.86                                          | (1 323 971)                   | 12.60                                         | (1 791 950)                   | 7.63                                          |
| Outstanding at the end of the year                   | 30 887 992                    | 0.89                                          | 28 304 271                    | 0.53                                          | 31 401 201                    | 4.08                                          | 28 917 806                    | 6.55                                          |
| Exercisable at the end of the year                   | 866 078                       | 3.13                                          | 910 733                       | 2.98                                          | 2 318 989                     | 39.89                                         | 2 538 170                     | 39.69                                         |

\*\* Weighted average share price during the year was £3.01 (2008 £5.45)

## Notes to the financial statements

### 7 Share based payments (continued)

The exercise price range and weighted average remaining contractual life for the options are as follows

| At 31 March                                                                                                                                                                    | UK schemes        |                   | South African schemes |                 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|-----------------------|-----------------|
|                                                                                                                                                                                | 2009              | 2008              | 2009                  | 2008            |
| Options with strike prices                                                                                                                                                     |                   |                   |                       |                 |
| Exercise price range                                                                                                                                                           | £1 55 - £6 52     | £1 55 - £6 52     | R20 28 - R57 60       | R20 28 - R57 60 |
| Weighted average remaining contractual life                                                                                                                                    | 2 47 years        | 3 12 years        | 1 76 years            | 2 33 years      |
| Long-term incentive grants with no strike price                                                                                                                                |                   |                   |                       |                 |
| Exercise price range                                                                                                                                                           | £0                | £0                | R0                    | R0              |
| Weighted average remaining contractual life                                                                                                                                    | 2 79 years        | 3 21 years        | 2 74 years            | 3 34 years      |
| The fair values of options granted were calculated using a Black-Scholes option pricing model. For options granted during the year, the inputs into the model were as follows: |                   |                   |                       |                 |
| - Share price at date of grant                                                                                                                                                 | £2 60 - £3 02     | £4 89 - £6 52     | R44 6 - R47 3         | R71 - R93       |
| - Exercise price                                                                                                                                                               | £0, £2 60 - £3 02 | £0, £4 89 - £6 52 | R0                    | R0              |
| - Expected volatility                                                                                                                                                          | 34% - 45%         | 30%               | 34% - 45%             | 30%             |
| - Option life                                                                                                                                                                  | 5 - 5 25 years    | 5 - 5 25 years    | 5 years               | 5 years         |
| - Expected dividend yields                                                                                                                                                     | 11 55% - 11 95%   | 4 63% - 6 90%     | 9 55%                 | 4 30% - 6%      |
| - Risk-free rate                                                                                                                                                               | 2 85% - 6 12%     | 5 18% - 6 14%     | 7 71% - 11 96%        | 9 55% - 10 20%  |

Expected volatility was determined based on the implied volatility levels quoted by the derivatives trading desk. The expected volatility is based on the respective share price movement over the last 6 months, but also includes an element of forward expectation. The expected attrition rates used were determined based on historical group data, with an adjustment to actual attrition on final vesting.

### 8 Taxation

| For the year to 31 March<br>£'000                  | 2009          | 2008            |
|----------------------------------------------------|---------------|-----------------|
| <b>Current taxation</b>                            |               |                 |
| UK                                                 |               |                 |
| Current taxation on income for the year            | 25 324        | 34 895          |
| Adjustments in respect of prior years              | (2 930)       | (5 478)         |
| Corporation taxation before double taxation relief | 22 394        | 29 417          |
| - Double taxation relief                           | (23 461)      | (3 045)         |
|                                                    | (1 067)       | 26 372          |
| Southern Africa                                    | 50 479        | 93 605          |
| Europe                                             | 8 846         | 11 742          |
| Australia                                          | (6 062)       | 4 994           |
| Other                                              | 19 251        | 2 928           |
|                                                    | 71 447        | 139 641         |
| Secondary taxation on companies*                   | 188           | -               |
| <b>Total current taxation</b>                      | <b>71 635</b> | <b>139 641</b>  |
| <b>Deferred taxation</b>                           |               |                 |
| UK                                                 | (7 395)       | (10 087)        |
| Southern Africa                                    | 22 135        | (3 315)         |
| Europe                                             | -             | 7               |
| Australia                                          | 1 732         | 1 003           |
| Other                                              | (6 432)       | -               |
| <b>Total deferred taxation</b>                     | <b>10 040</b> | <b>(12 392)</b> |
| <b>Total taxation charge for the year</b>          | <b>81 675</b> | <b>127 249</b>  |
| Deferred taxation comprises                        |               |                 |
| Origination and reversal of temporary differences  | 5 936         | (9 383)         |
| Change in taxation rate                            | -             | 1 577           |
| Adjustment in respect of prior years               | 4 104         | (4 586)         |
|                                                    | 10 040        | (12 392)        |

\* Secondary taxation on companies is an additional corporate taxation on South African entities on declaration of dividends.

## Notes to the financial statements

For the year to 31 March  
£'000

|                                                                                                              | 2009           | 2008           |
|--------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>8 Taxation (continued)</b>                                                                                |                |                |
| Items which affect the taxation rate going forward are                                                       |                |                |
| Estimated taxation losses arising from trading activities available for relief against future taxable income |                |                |
| - UK                                                                                                         | Nil            | Nil            |
| - South Africa                                                                                               | Nil            | Nil            |
| - Europe                                                                                                     | Nil            | Nil            |
| The rates of corporation taxation for the relevant years are                                                 | %              | %              |
| - UK                                                                                                         | 28             | 30             |
| - South Africa                                                                                               | 28             | 29             |
| - Europe (average)                                                                                           | 10             | 20             |
| - Australia                                                                                                  | 30             | 30             |
| - USA                                                                                                        | 35             | 35             |
| <b>Profit on ordinary activities before taxation</b>                                                         | <b>368 342</b> | <b>547 761</b> |
| <b>Taxation on profit on ordinary activities</b>                                                             | <b>81 675</b>  | <b>127 249</b> |
| <b>Effective taxation rate</b>                                                                               | <b>22%</b>     | <b>23%</b>     |
| The taxation charge on activities for the year is different to the standard rate as detailed below           |                |                |
| Taxation on profit on ordinary activities before taxation, at UK rate of 28% (2008 28%)                      | 103 136        | 153 373        |
| Reconciliation to actual charge                                                                              |                |                |
| Taxation adjustments relating to foreign earnings                                                            | (14 801)       | (26 205)       |
| Taxation relating to prior years                                                                             | 1 175          | (10 060)       |
| Goodwill and non operating items                                                                             | -              | 17 970         |
| Share options accounting expense                                                                             | 4 353          | 4 458          |
| Share options exercised during the year                                                                      | (1 228)        | (5 092)        |
| Unexpired share options future taxation deduction                                                            | (1 091)        | 2 308          |
| Non-taxable income                                                                                           | (24 708)       | (18 601)       |
| Net other permanent differences                                                                              | 9 916          | 11 942         |
| Unrealised capital losses                                                                                    | 5 748          | -              |
| Utilisation of brought forward capital losses                                                                | (825)          | (2 719)        |
| Utilisation of brought forward trading losses                                                                | -              | (2 090)        |
| Change in rate                                                                                               | -              | 1 965          |
| <b>Total taxation charge</b>                                                                                 | <b>81 675</b>  | <b>127 249</b> |

## Notes to the financial statements

| For the year to 31 March                                                                                                                                                                                                                                                                                                                                                                                                               | 2009             | 2008             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>9 Earnings per share</b>                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
| Earnings per share - pence                                                                                                                                                                                                                                                                                                                                                                                                             | 38.5             | 57.7             |
| Basic earnings per share (pence) is calculated by dividing the earnings attributable to the ordinary shareholders in Investec plc and Investec Limited by the weighted average number of ordinary shares in issue during the year                                                                                                                                                                                                      |                  |                  |
| Earnings attributable to the shareholders per income statement                                                                                                                                                                                                                                                                                                                                                                         | £'000<br>292 022 | £'000<br>391 558 |
| Preference dividends paid                                                                                                                                                                                                                                                                                                                                                                                                              | (47 503)         | (41 779)         |
| Earnings attributable to ordinary shareholders                                                                                                                                                                                                                                                                                                                                                                                         | 244 519          | 349 779          |
| Earnings from future dilutive convertible instruments                                                                                                                                                                                                                                                                                                                                                                                  | 184              | 736              |
| Diluted earnings attributable to ordinary shareholders                                                                                                                                                                                                                                                                                                                                                                                 | 244 703          | 350 515          |
| Diluted earnings per share - pence                                                                                                                                                                                                                                                                                                                                                                                                     | 36.1             | 54.0             |
| Diluted earnings per share is calculated by dividing the earnings attributable to the ordinary shareholders of Investec plc and Investec Limited, adjusted for the effects of dilutive ordinary potential shares, by the weighted average number of shares in issue during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive ordinary potential shares during the year |                  |                  |
| Weighted average total number of shares in issue during the year                                                                                                                                                                                                                                                                                                                                                                       | 679 078 556      | 640 059 998      |
| Weighted average number of treasury shares                                                                                                                                                                                                                                                                                                                                                                                             | (44 477 037)     | (33 894 292)     |
| Weighted average number of ordinary shares in issue during the year                                                                                                                                                                                                                                                                                                                                                                    | 634 601 519      | 606 165 706      |
| Weighted average number of shares resulting from future dilutive potential shares                                                                                                                                                                                                                                                                                                                                                      | 42 397 113       | 35 390 062       |
| Weighted average number of shares resulting from future dilutive convertible instruments                                                                                                                                                                                                                                                                                                                                               | 1 778 343        | 7 489 820        |
| Diluted weighted number of shares potentially in issue                                                                                                                                                                                                                                                                                                                                                                                 | 678 776 975      | 649 045 588      |
| Adjusted earnings per share - pence                                                                                                                                                                                                                                                                                                                                                                                                    | 42.4             | 56.9             |
| Adjusted earnings per share (pence) is calculated by dividing the earnings, before deducting goodwill impairment and non-operating items attributable to the ordinary shareholders after taking into account earnings attributable to perpetual preference shareholders, by the weighted average number of ordinary shares in issue during the year                                                                                    |                  |                  |
| Earnings attributable to shareholders per income statement                                                                                                                                                                                                                                                                                                                                                                             | £'000<br>292 022 | £'000<br>391 558 |
| Goodwill (after minorities)                                                                                                                                                                                                                                                                                                                                                                                                            | 23 790           | 62 765           |
| Profit on disposal of group operations (net of taxation)                                                                                                                                                                                                                                                                                                                                                                               | (721)            | (64 345)         |
| Preference dividends paid                                                                                                                                                                                                                                                                                                                                                                                                              | (47 503)         | (41 779)         |
| Additional earnings/(losses) attributable to other equity holders*                                                                                                                                                                                                                                                                                                                                                                     | 1 627            | (3 504)          |
| Adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items                                                                                                                                                                                                                                                                                                                                        | 269 215          | 344 695          |
| Earnings from future dilutive convertible instruments                                                                                                                                                                                                                                                                                                                                                                                  | 184              | 736              |
| Diluted adjusted earnings attributable to ordinary shareholders before goodwill and non-operating items                                                                                                                                                                                                                                                                                                                                | 269 399          | 345 431          |
| Diluted adjusted earnings per share - pence                                                                                                                                                                                                                                                                                                                                                                                            | 39.7             | 53.2             |
| Headline earnings per share - pence                                                                                                                                                                                                                                                                                                                                                                                                    |                  |                  |
| Headline earnings per share has been calculated in accordance with the definition in the Institute of Investment Management Research Statement of Investment Practice No. 1 "The Definition of Headline Earnings" and is disclosed in accordance with the JSE Listing Requirements and in terms of circular 8/2007 issued by the South African Institute of Chartered Accountants                                                      |                  |                  |
| Earnings attributable to shareholders per income statement                                                                                                                                                                                                                                                                                                                                                                             | £'000<br>292 022 | £'000<br>391 558 |
| Goodwill (after minorities)                                                                                                                                                                                                                                                                                                                                                                                                            | 23 790           | 62 765           |
| Profit on disposal of group operations (net of taxation)                                                                                                                                                                                                                                                                                                                                                                               | (721)            | (64 345)         |
| Preference dividends paid                                                                                                                                                                                                                                                                                                                                                                                                              | (47 503)         | (41 779)         |
| Gains recognised on investment properties (after taxation and minority interests)                                                                                                                                                                                                                                                                                                                                                      | (6 376)          | (28 989)         |
| Other headline adjustments**                                                                                                                                                                                                                                                                                                                                                                                                           | 415              | (17 711)         |
| Headline earnings attributable to ordinary shareholders                                                                                                                                                                                                                                                                                                                                                                                | 261 627          | 301 499          |
| Earnings from future dilutive convertible instruments                                                                                                                                                                                                                                                                                                                                                                                  | 184              | 736              |
| Diluted headline earnings attributable to ordinary shareholders                                                                                                                                                                                                                                                                                                                                                                        | 261 811          | 302 235          |
| Diluted headline earnings per share - pence                                                                                                                                                                                                                                                                                                                                                                                            | 38.6             | 46.6             |

\* In accordance with IFRS, dividends attributable to equity holders are accounted for when a constructive liability arises, i.e. on declaration by the board of directors and approval by the shareholders, where required. Investec is of the view that EPS is best reflected by adjusting for earnings that are attributed to equity instruments (other than ordinary shares) on an accrual basis and therefore adjusts the paid dividend on such instruments to accrued in arriving at adjusted EPS.

\*\* Other headline adjustments include the fair value of investment properties and realised gains/losses on available for sale instruments as well as impairments recognised against available for sale instruments. Taxation on headline earnings adjustments amounted to £2.3 million (2008: £27.6 million), with no impact on earnings attributable to minorities.

## Notes to the financial statements

### 10 Dividends

| For the year to 31 March                                                                 | 2009            |             | 2008            |             |
|------------------------------------------------------------------------------------------|-----------------|-------------|-----------------|-------------|
|                                                                                          | Pence per share | Total £'000 | Pence per share | Total £'000 |
| Ordinary dividend                                                                        |                 |             |                 |             |
| Final dividend for prior year                                                            | 13.5            | 89,140      | 13.0            | 55,415      |
| Interim dividend for current year                                                        | 8.0             | 54,855      | 11.5            | 90,511      |
| Total dividend attributable to ordinary shareholder recognised in current financial year | 21.5            | 143,995     | 24.5            | 145,926     |

The directors have proposed a final dividend in respect of the financial year ended 31 March 2009 of 5.0 pence per ordinary share (2008: 13.5 pence)

This will be paid as follows:

- for Investec Limited shareholders, through a dividend paid by Investec Limited of 66.0 cents per ordinary share
- for Investec plc non-South African shareholders, through a dividend paid by Investec plc of 5.0 pence per ordinary share
- for Investec plc South African resident shareholders through a dividend payment on the SA DAS share equivalent to 5.0 pence per ordinary share

The final dividend will be payable on 18 August 2009 to shareholders on the register at the close of business on 31 July 2009

|                                                                                                      | Pence per share^ | 2009 Cents per share* | Total £'000 | Pence per share^ | 2008 Cents per share* | Total £'000 |
|------------------------------------------------------------------------------------------------------|------------------|-----------------------|-------------|------------------|-----------------------|-------------|
| Perpetual preference dividend                                                                        |                  |                       |             |                  |                       |             |
| Final dividend for prior year                                                                        | 32.67            | 1,038.64              | 28,808      | 30.20            | 887.48                | 20,411      |
| Interim dividend for current year                                                                    | 30.14            | 1,110.35              | 18,695      | 32.93            | 941.02                | 21,368      |
| Total dividend attributable to perpetual preference shareholder recognised in current financial year | 62.81            | 2,148.99              | 47,503      | 63.13            | 1,828.50              | 41,779      |

The directors have declared a final dividend in respect of the financial year ended 31 March 2009 of 16.03 pence (Investec plc shares traded on the JSE Limited) and 16.03 pence (Investec plc shares traded on the Channel Island Stock Exchange), 518.77 cents (Investec Limited) and 555.82 cents (Investec Bank Limited) per perpetual preference share

The final dividend will be payable on 2 July 2009 to shareholders on the register at the close of business on 19 June 2009

- ^ Perpetual preference share dividends from Investec Tier I (UK) LP  
 \* Perpetual preference share dividends from Investec Limited and Investec Bank limited

## Notes to the financial statements

### 11 Miscellaneous income statement items

| For the year to 31 March<br>£'000                                                                                         | 2009   | 2008   |
|---------------------------------------------------------------------------------------------------------------------------|--------|--------|
| Total foreign currency losses recognised in income except for financial instruments measured at fair value through income | 43 894 | 25 903 |
| Operating lease expenses recognised in administrative expenses split as follows                                           |        |        |
| Minimum lease payments                                                                                                    | 39 068 | 31 788 |
| Contingent rents                                                                                                          | -      | 4      |
| Sublease payments                                                                                                         | -      | 2 186  |
|                                                                                                                           | 39 068 | 33 978 |
| Operating lease income recognised in income split as follows                                                              |        |        |
| Minimum lease payments                                                                                                    | 17 236 | 8 199  |
| Sublease payments                                                                                                         | 865    | 3 754  |
|                                                                                                                           | 18 101 | 11 953 |



## Notes to the financial statements

For the year to 31 March  
£'000

|                                                                               | At fair value through profit and loss |                         | Held-to-maturity |
|-------------------------------------------------------------------------------|---------------------------------------|-------------------------|------------------|
|                                                                               | Trading                               | Designated at inception |                  |
| <b>12 Analysis of income and expenses by category of financial instrument</b> |                                       |                         |                  |
| <b>2009</b>                                                                   |                                       |                         |                  |
| Net interest income                                                           | 83 638                                | 268 677                 | 45 136           |
| Fee and commission income                                                     | 91 279                                | 10 634                  | 451              |
| Fee and commission expense                                                    | -                                     | (3 009)                 | (166)            |
| Principal transactions                                                        | 277 324                               | 17 316                  | -                |
| Operating income from associates                                              | -                                     | -                       | -                |
| Investment income on assurance activities                                     | -                                     | -                       | -                |
| Premiums and reinsurance recoveries on insurance contracts                    | -                                     | -                       | -                |
| Other operating (losses)/income                                               | -                                     | (7 002)                 | -                |
| Other income including net interest income                                    | 452 241                               | 286 616                 | 45 421           |
| Claims and reinsurance premiums on insurance business                         | -                                     | -                       | -                |
| Total operating income net of insurance claims                                | 452 241                               | 286 616                 | 45 421           |
| Impairment losses on loans and advances                                       | -                                     | -                       | (19 332)         |
| Operating income                                                              | 452 241                               | 286 616                 | 26 089           |
| <b>2008</b>                                                                   |                                       |                         |                  |
| Net interest income                                                           | 23 602                                | 40 355                  | 25 167           |
| Fee and commission income                                                     | 13 393                                | 15 538                  | 182              |
| Fee and commission expense                                                    | (201)                                 | (1 532)                 | (56)             |
| Principal transactions                                                        | 169 579                               | 81 355                  | (4)              |
| Operating income from associates                                              | -                                     | -                       | -                |
| Investment income on assurance activities                                     | -                                     | -                       | -                |
| Premiums and reinsurance recoveries on insurance contracts                    | -                                     | -                       | -                |
| Other operating (losses)/income                                               | (19)                                  | 3 607                   | -                |
| Other income including net interest income                                    | 206 354                               | 139 323                 | 25 289           |
| Claims and reinsurance premiums on insurance business                         | -                                     | -                       | -                |
| Total operating income net of insurance claims                                | 206 354                               | 139 323                 | 25 289           |
| Impairment losses on loans and advances                                       | -                                     | -                       | 87               |
| Operating income                                                              | 206 354                               | 139 323                 | 25 376           |

| Loans and receivables | Available for sale | Financial liabilities at amortised cost | Insurance related | Non-financial instruments | Other fee income/ (expense) | Total     |
|-----------------------|--------------------|-----------------------------------------|-------------------|---------------------------|-----------------------------|-----------|
| 2 107 515             | 45 154             | (1 856 089)                             | -                 | -                         | -                           | 694 031   |
| 85 492                | -                  | 234                                     | -                 | 36 202                    | 368 522                     | 592 814   |
| (2 650)               | -                  | (82)                                    | -                 | (782)                     | (54 603)                    | (61 292)  |
| -                     | 3 123              | (44 846)                                | -                 | 21 327                    | 2 277                       | 276 521   |
| -                     | -                  | -                                       | -                 | 12 438                    | -                           | 12 438    |
| -                     | -                  | -                                       | 74 584            | -                         | -                           | 74 584    |
| -                     | -                  | -                                       | 18 773            | -                         | -                           | 18 773    |
| -                     | -                  | -                                       | -                 | (23 238)                  | -                           | (30 240)  |
| 2 190 357             | 48 277             | (1 900 783)                             | 93 357            | 45 947                    | 316 196                     | 1 577 629 |
| -                     | -                  | -                                       | (88 108)          | -                         | -                           | (88 108)  |
| 2 190 357             | 48 277             | (1 900 783)                             | 5 249             | 45 947                    | 316 196                     | 1 489 521 |
| (236 841)             | -                  | -                                       | -                 | -                         | -                           | (256 173) |
| 1 953 516             | 48 277             | (1 900 783)                             | 5 249             | 45 947                    | 316 196                     | 1 233 348 |
| 1 722 155             | 98 475             | (1 326 334)                             | -                 | -                         | -                           | 583 420   |
| 104 861               | -                  | (242)                                   | -                 | 18 157                    | 462 468                     | 614 357   |
| (1 150)               | (820)              | (708)                                   | -                 | 7                         | (58 601)                    | (63 061)  |
| -                     | 34 100             | (55 509)                                | -                 | 45 111                    | 2 073                       | 276 705   |
| -                     | -                  | -                                       | -                 | 12 138                    | -                           | 12 138    |
| -                     | -                  | -                                       | 89 593            | -                         | -                           | 89 593    |
| -                     | -                  | -                                       | 40 849            | -                         | -                           | 40 849    |
| -                     | -                  | -                                       | -                 | 1 328                     | 45 127                      | 50 043    |
| 1 825 866             | 131 755            | (1 382 793)                             | 130 442           | 76 741                    | 451 067                     | 1 604 044 |
| -                     | -                  | -                                       | (120 358)         | -                         | -                           | (120 358) |
| 1 825 866             | 131 755            | (1 382 793)                             | 10 084            | 76 741                    | 451 067                     | 1 483 686 |
| (114 272)             | -                  | -                                       | -                 | -                         | -                           | (114 185) |
| 1 711 594             | 131 755            | (1 382 793)                             | 10 084            | 76 741                    | 451 067                     | 1 369 501 |





## Notes to the financial statements

For the year to 31 March 2009  
£'000

|                                                                                      | At fair value through profit and loss |                         | Available for sale | Total instruments at fair value |
|--------------------------------------------------------------------------------------|---------------------------------------|-------------------------|--------------------|---------------------------------|
|                                                                                      | Trading                               | Designated at inception |                    |                                 |
| <b>13 Analysis of assets and liabilities by financial instruments classification</b> |                                       |                         |                    |                                 |
| <b>Assets</b>                                                                        |                                       |                         |                    |                                 |
| Cash and balances at central banks                                                   | -                                     | -                       | -                  | -                               |
| Loans and advances to banks                                                          | 11 520                                | 35 045                  | -                  | 46 565                          |
| Cash equivalent advances to customers                                                | 12 918                                | -                       | -                  | 12 918                          |
| Reverse repurchase agreements and cash collateral on securities borrowed             | 364 733                               | -                       | -                  | 364 733                         |
| Trading securities                                                                   | 1 213 987                             | 1 099 858               | -                  | 2 313 845                       |
| Derivative financial instruments*                                                    | 1 582 908                             | -                       | -                  | 1 582 908                       |
| Investment securities                                                                | 151                                   | 542                     | 1 026 711          | 1 027 404                       |
| Loans and advances to customers                                                      | -                                     | 1 287 894               | 7 797              | 1 295 691                       |
| Loans and advances to customers - Kensington warehouse assets                        | -                                     | -                       | -                  | -                               |
| Securitisised assets                                                                 | -                                     | 188 947                 | -                  | 188 947                         |
| Interests in associated undertakings                                                 | -                                     | -                       | -                  | -                               |
| Deferred taxation assets                                                             | -                                     | -                       | -                  | -                               |
| Other assets                                                                         | 318 358                               | -                       | -                  | 318 358                         |
| Property and equipment                                                               | -                                     | -                       | -                  | -                               |
| Investment properties                                                                | -                                     | -                       | -                  | -                               |
| Goodwill                                                                             | -                                     | -                       | -                  | -                               |
| Intangible assets                                                                    | -                                     | -                       | -                  | -                               |
|                                                                                      | <b>3 504 575</b>                      | <b>2 612 286</b>        | <b>1 034 508</b>   | <b>7 151 369</b>                |
| Financial instruments at fair value through income in respect of                     |                                       |                         |                    |                                 |
| - liabilities to customers                                                           | -                                     | -                       | -                  | -                               |
| - assets related to reinsurance contracts                                            | -                                     | -                       | -                  | -                               |
|                                                                                      | <b>3 504 575</b>                      | <b>2 612 286</b>        | <b>1 034 508</b>   | <b>7 151 369</b>                |
| <b>Liabilities</b>                                                                   |                                       |                         |                    |                                 |
| Deposits by banks                                                                    | 5 546                                 | -                       | -                  | 5 546                           |
| Deposits by banks - Kensington warehouse funding                                     | -                                     | -                       | -                  | -                               |
| Derivative financial instruments*                                                    | 1 196 326                             | -                       | -                  | 1 196 326                       |
| Other trading liabilities                                                            | 344 561                               | -                       | -                  | 344 561                         |
| Repurchase agreements and cash collateral on securities lent                         | 381 411                               | -                       | -                  | 381 411                         |
| Customer accounts                                                                    | 20 468                                | 1 003 777               | -                  | 1 024 245                       |
| Debt securities in issue                                                             | -                                     | -                       | -                  | -                               |
| Liabilities arising on securitisation                                                | -                                     | 111 504                 | -                  | 111 504                         |
| Current taxation liabilities                                                         | -                                     | -                       | -                  | -                               |
| Deferred taxation liabilities                                                        | -                                     | -                       | -                  | -                               |
| Other liabilities                                                                    | 228 062                               | 23 490                  | -                  | 251 552                         |
| Pension fund liabilities                                                             | -                                     | -                       | -                  | -                               |
|                                                                                      | <b>2 176 374</b>                      | <b>1 138 771</b>        | <b>-</b>           | <b>3 315 145</b>                |
| Liabilities to customers under investment contracts                                  | -                                     | -                       | -                  | -                               |
| Insurance liabilities, including unit-linked liabilities                             | -                                     | -                       | -                  | -                               |
| Reinsured liabilities                                                                | -                                     | -                       | -                  | -                               |
|                                                                                      | <b>2 176 374</b>                      | <b>1 138 771</b>        | <b>-</b>           | <b>3 315 145</b>                |
| Subordinated liabilities (including convertible debt)                                | -                                     | -                       | -                  | -                               |
|                                                                                      | <b>2 176 374</b>                      | <b>1 138 771</b>        | <b>-</b>           | <b>3 315 145</b>                |

\* Derivative financial instruments have been classified as held for trading and include derivatives held as hedges. For more information on hedges refer to note 49.

| Held-to-maturity | Loans and receivables | Financial liabilities at amortised cost | Total instruments at amortised cost | Insurance related | Non-financial instruments | Total      |
|------------------|-----------------------|-----------------------------------------|-------------------------------------|-------------------|---------------------------|------------|
| -                | 1 105 089             | -                                       | 1 105 089                           | -                 | -                         | 1 105 089  |
| -                | 1 971 524             | -                                       | 1 971 524                           | -                 | -                         | 2 018 089  |
| -                | 383 255               | -                                       | 383 255                             | -                 | -                         | 396 173    |
| -                | 205 037               | -                                       | 205 037                             | -                 | -                         | 569 770    |
| -                | -                     | -                                       | -                                   | -                 | -                         | 2 313 845  |
| -                | -                     | -                                       | -                                   | -                 | -                         | 1 582 908  |
| 36 165           | -                     | -                                       | 36 165                              | -                 | -                         | 1 063 569  |
| 656 605          | 13 438 223            | -                                       | 14 094 828                          | -                 | -                         | 15 390 519 |
| -                | 1 897 878             | -                                       | 1 897 878                           | -                 | -                         | 1 897 878  |
| -                | 5 439 400             | -                                       | 5 439 400                           | -                 | -                         | 5 628 347  |
| -                | -                     | -                                       | -                                   | -                 | 93 494                    | 93 494     |
| -                | -                     | -                                       | -                                   | -                 | 136 757                   | 136 757    |
| 10               | 272 406               | -                                       | 272 416                             | -                 | 303 288                   | 894 062    |
| -                | -                     | -                                       | -                                   | -                 | 174 532                   | 174 532    |
| -                | -                     | -                                       | -                                   | -                 | 189 156                   | 189 156    |
| -                | -                     | -                                       | -                                   | -                 | 255 972                   | 255 972    |
| -                | -                     | -                                       | -                                   | -                 | 34 402                    | 34 402     |
| 692 780          | 24 712 812            | -                                       | 25 405 592                          | -                 | 1 187 601                 | 33 744 562 |
| -                | -                     | -                                       | -                                   | 3 358 338         | -                         | 3 358 338  |
| -                | -                     | -                                       | -                                   | 1 768             | -                         | 1 768      |
| 692 780          | 24 712 812            | -                                       | 25 405 592                          | 3 360 106         | 1 187 601                 | 37 104 668 |
| -                | -                     | 3 775 607                               | 3 775 607                           | -                 | -                         | 3 781 153  |
| -                | -                     | 1 412 961                               | 1 412 961                           | -                 | -                         | 1 412 961  |
| -                | -                     | -                                       | -                                   | -                 | -                         | 1 196 326  |
| -                | -                     | -                                       | -                                   | -                 | -                         | 344 561    |
| -                | -                     | 534 439                                 | 534 439                             | -                 | -                         | 915 850    |
| -                | -                     | 13 548 323                              | 13 548 323                          | -                 | -                         | 14 572 568 |
| -                | -                     | 1 014 871                               | 1 014 871                           | -                 | -                         | 1 014 871  |
| -                | -                     | 5 091 969                               | 5 091 969                           | -                 | -                         | 5 203 473  |
| -                | -                     | -                                       | -                                   | -                 | 155 395                   | 155 395    |
| -                | -                     | -                                       | -                                   | -                 | 120 135                   | 120 135    |
| -                | -                     | 707 618                                 | 707 618                             | -                 | 304 974                   | 1 264 144  |
| -                | -                     | -                                       | -                                   | -                 | 1 212                     | 1 212      |
| -                | -                     | 26 085 788                              | 26 085 788                          | -                 | 581 716                   | 29 982 649 |
| -                | -                     | -                                       | -                                   | 3 352 863         | -                         | 3 352 863  |
| -                | -                     | -                                       | -                                   | 5 475             | -                         | 5 475      |
| -                | -                     | -                                       | -                                   | 1 768             | -                         | 1 768      |
| -                | -                     | 26 085 788                              | 26 085 788                          | 3 360 106         | 581 716                   | 33 342 755 |
| -                | -                     | 1 141 376                               | 1 141 376                           | -                 | -                         | 1 141 376  |
| -                | -                     | 27 227 164                              | 27 227 164                          | 3 360 106         | 581 716                   | 34 484 131 |



## Notes to the financial statements

For the year to 31 March 2008  
£'000

|                                                                                                  | At fair value through profit and loss |                         | Available for sale | Total instruments at fair value |
|--------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------|--------------------|---------------------------------|
|                                                                                                  | Trading                               | Designated at inception |                    |                                 |
| <b>13 Analysis of assets and liabilities by financial instruments classification (continued)</b> |                                       |                         |                    |                                 |
| <b>Assets</b>                                                                                    |                                       |                         |                    |                                 |
| Cash and balances at central banks                                                               | -                                     | -                       | -                  | -                               |
| Loans and advances to banks                                                                      | -                                     | -                       | -                  | -                               |
| Cash equivalent advances to customers                                                            | -                                     | -                       | -                  | -                               |
| Reverse repurchase agreements and cash collateral on securities borrowed                         | 246 187                               | -                       | -                  | 246 187                         |
| Trading securities                                                                               | 1 184 491                             | 800 089                 | -                  | 1 984 580                       |
| Derivative financial instruments*                                                                | 1 305 264                             | -                       | -                  | 1 305 264                       |
| Investment securities                                                                            | -                                     | -                       | 1 053 123          | 1 053 123                       |
| Loans and advances to customers                                                                  | -                                     | 1 104 940               | -                  | 1 104 940                       |
| Loans and advances to customers - Kensington warehouse assets                                    | -                                     | -                       | -                  | -                               |
| Securitisised assets                                                                             | 50 238                                | 128 478                 | -                  | 178 716                         |
| Interests in associated undertakings                                                             | -                                     | -                       | -                  | -                               |
| Deferred taxation assets                                                                         | -                                     | -                       | -                  | -                               |
| Other assets                                                                                     | -                                     | -                       | -                  | -                               |
| Property and equipment                                                                           | -                                     | -                       | -                  | -                               |
| Investment properties                                                                            | -                                     | -                       | -                  | -                               |
| Goodwill                                                                                         | -                                     | -                       | -                  | -                               |
| Intangible assets                                                                                | -                                     | -                       | -                  | -                               |
|                                                                                                  | <b>2 786 180</b>                      | <b>2 033 507</b>        | <b>1 053 123</b>   | <b>5 872 810</b>                |
| Financial instruments at fair value through income in respect of                                 |                                       |                         |                    |                                 |
| - liabilities to customers                                                                       | -                                     | -                       | -                  | -                               |
| - assets related to reinsurance contracts                                                        | -                                     | -                       | -                  | -                               |
|                                                                                                  | <b>2 786 180</b>                      | <b>2 033 507</b>        | <b>1 053 123</b>   | <b>5 872 810</b>                |
| <b>Liabilities</b>                                                                               |                                       |                         |                    |                                 |
| Deposits by banks                                                                                | 5 104                                 | -                       | -                  | 5 104                           |
| Deposits by banks - Kensington warehouse funding                                                 | -                                     | -                       | -                  | -                               |
| Derivative financial instruments*                                                                | 881 577                               | -                       | -                  | 881 577                         |
| Other trading liabilities                                                                        | 450 580                               | -                       | -                  | 450 580                         |
| Repurchase agreements and cash collateral on securities lent                                     | 250 429                               | -                       | -                  | 250 429                         |
| Customer accounts                                                                                | 127 292                               | 988 875                 | -                  | 1 116 167                       |
| Debt securities in issue                                                                         | -                                     | -                       | -                  | -                               |
| Liabilities arising on securitisation                                                            | 191 527                               | -                       | -                  | 191 527                         |
| Current taxation liabilities                                                                     | -                                     | -                       | -                  | -                               |
| Deferred taxation liabilities                                                                    | -                                     | -                       | -                  | -                               |
| Other liabilities                                                                                | -                                     | 22 146                  | -                  | 22 146                          |
| Pension fund liabilities                                                                         | -                                     | -                       | -                  | -                               |
|                                                                                                  | <b>1 906 509</b>                      | <b>1 011 021</b>        | <b>-</b>           | <b>2 917 530</b>                |
| Liabilities to customers under investment contracts                                              | -                                     | -                       | -                  | -                               |
| Insurance liabilities, including unit-linked liabilities                                         | -                                     | -                       | -                  | -                               |
| Reinsured liabilities                                                                            | -                                     | -                       | -                  | -                               |
|                                                                                                  | <b>1 906 509</b>                      | <b>1 011 021</b>        | <b>-</b>           | <b>2 917 530</b>                |
| Subordinated liabilities (including convertible debt)                                            | -                                     | -                       | -                  | -                               |
|                                                                                                  | <b>1 906 509</b>                      | <b>1 011 021</b>        | <b>-</b>           | <b>2 917 530</b>                |

\* Derivative financial instruments have been classified as held for trading and include derivatives held as hedges. For more information on hedges, refer to note 49.

| Held-to-maturity | Loans and receivables | Financial liabilities at amortised cost | Total instruments at amortised cost | Insurance related | Non-financial instruments | Total      |
|------------------|-----------------------|-----------------------------------------|-------------------------------------|-------------------|---------------------------|------------|
| -                | 788 472               | -                                       | 788 472                             | -                 | -                         | 788 472    |
| -                | 2 153 773             | -                                       | 2 153 773                           | -                 | -                         | 2 153 773  |
| -                | 504 382               | -                                       | 504 382                             | -                 | -                         | 504 382    |
| -                | 547 966               | -                                       | 547 966                             | -                 | -                         | 794 153    |
| -                | -                     | -                                       | -                                   | -                 | -                         | 1 984 580  |
| -                | -                     | -                                       | -                                   | -                 | -                         | 1 305 264  |
| 77 749           | -                     | -                                       | 77 749                              | -                 | -                         | 1 130 872  |
| 598 177          | 10 308 144            | -                                       | 10 906 321                          | -                 | -                         | 12 011 261 |
| -                | 2 034 874             | -                                       | 2 034 874                           | -                 | -                         | 2 034 874  |
| -                | 5 904 259             | -                                       | 5 904 259                           | -                 | -                         | 6 082 975  |
| -                | -                     | -                                       | -                                   | -                 | 82 576                    | 82 576     |
| -                | -                     | -                                       | -                                   | -                 | 84 493                    | 84 493     |
| -                | 724 745               | -                                       | 724 745                             | -                 | 157 464                   | 882 209    |
| -                | -                     | -                                       | -                                   | -                 | 141 352                   | 141 352    |
| -                | -                     | -                                       | -                                   | -                 | 134 975                   | 134 975    |
| -                | -                     | -                                       | -                                   | -                 | 271 932                   | 271 932    |
| -                | -                     | -                                       | -                                   | -                 | 31 506                    | 31 506     |
| 675 926          | 22 966 615            | -                                       | 23 642 541                          | -                 | 904 298                   | 30 419 649 |
| -                | -                     | -                                       | -                                   | 2 878 894         | -                         | 2 878 894  |
| -                | -                     | -                                       | -                                   | 805 009           | -                         | 805 009    |
| 675 926          | 22 966 615            | -                                       | 23 642 541                          | 3 683 903         | 904 298                   | 34 103 552 |
| -                | -                     | 3 483 928                               | 3 483 928                           | -                 | -                         | 3 489 032  |
| -                | -                     | 1 778 438                               | 1 778 438                           | -                 | -                         | 1 778 438  |
| -                | -                     | -                                       | -                                   | -                 | -                         | 881 577    |
| -                | -                     | -                                       | -                                   | -                 | -                         | 450 580    |
| -                | -                     | 131 955                                 | 131 955                             | -                 | -                         | 382 384    |
| -                | -                     | 11 016 953                              | 11 016 953                          | -                 | -                         | 12 133 120 |
| -                | -                     | 777 769                                 | 777 769                             | -                 | -                         | 777 769    |
| -                | -                     | 5 568 681                               | 5 568 681                           | -                 | -                         | 5 760 208  |
| -                | -                     | -                                       | -                                   | -                 | 132 656                   | 132 656    |
| -                | -                     | -                                       | -                                   | -                 | 79 172                    | 79 172     |
| -                | -                     | 1 241 224                               | 1 241 224                           | -                 | 16 003                    | 1 279 373  |
| -                | -                     | -                                       | -                                   | -                 | -                         | -          |
| -                | -                     | 23 998 948                              | 23 998 948                          | -                 | 227 831                   | 27 144 309 |
| -                | -                     | -                                       | -                                   | 2 862 916         | -                         | 2 862 916  |
| -                | -                     | -                                       | -                                   | 15 978            | -                         | 15 978     |
| -                | -                     | -                                       | -                                   | 805 009           | -                         | 805 009    |
| -                | -                     | 23 998 948                              | 23 998 948                          | 3 683 903         | 227 831                   | 30 828 212 |
| -                | -                     | 1 065 321                               | 1 065 321                           | -                 | -                         | 1 065 321  |
| -                | -                     | 25 064 269                              | 25 064 269                          | 3 683 903         | 227 831                   | 31 893 533 |



## Notes to the financial statements

### 14 Reclassifications of financial instruments

2009

During the year the group reclassified certain financial instruments out of fair value through profit and loss. These assets were originally classified as held for trading but the group's intentions in regard to these assets changed and the group now intends to hold these assets for the foreseeable future or until maturity rather than to trade in the short-term.

- On 30 January 2009 a portfolio of asset backed securities was reclassified to loans and receivables
- On 31 March 2009 a portfolio of asset backed securities was reclassified to loans and receivables and a residual position was reclassified to available for sale

At the time of the transfers, the group identified rare circumstances permitting such reclassification, being severe liquidity in the relevant markets.

The following table shows carrying values and fair values of the assets reclassified

| £'000                                                | Carrying value as at date of transfer | Carrying value as at 31 March 2009 | Fair value as at 31 March 2009 |
|------------------------------------------------------|---------------------------------------|------------------------------------|--------------------------------|
| Trading assets reclassified to loans and receivables | 112 250                               | 112 402                            | 106 189                        |
| Trading assets reclassified to available for sale    | 7 797                                 | 7 797                              | 7 797                          |
| <b>Total financial assets reclassified</b>           | <b>120 047</b>                        | <b>120 199</b>                     | <b>113 986</b>                 |

The reclassified financial instruments have expected recoverable cash flows of £134.2 million. After reclassification, the assets contributed a loss of £262 000 to the 2009 income before taxation. Prior to reclassification £656 000 of net interest expense and £17 275 000 of unrealised fair value losses on the reclassified trading assets was recognised in the consolidated income statement for the year. As at the date of reclassification, the effective interest rates on reclassified trading assets ranged from 4.61% to 18.29%.

### 15 Fair value hierarchy

For financial assets and financial liabilities carried at fair value, the table that follows provides details of the bases used for determining the fair value according to the following hierarchy:

Level 1 - The use of quoted market prices for identical instruments in an active market.

Level 2 - The use of a valuation technique using observable inputs. This may include:

- using quoted prices in active markets for similar instruments
- using quoted prices in inactive markets for identical or similar instruments, or
- using models where all significant inputs are observable

Level 3 - Using models where one or more significant inputs are not observable

The table includes investment properties in the analysis as this is an asset carried at fair value with fair value adjustments recognised through profit and loss.

Assets and liabilities related to the long-term assurance business attributable to policyholders have been excluded from the analysis as the change in fair value of related assets is attributable to policyholders.

## Notes to the financial statements

| At 31 March<br>£'000                                                     | Total<br>instruments<br>at fair value | Valuation technique applied |                  |                |
|--------------------------------------------------------------------------|---------------------------------------|-----------------------------|------------------|----------------|
|                                                                          |                                       | Level 1                     | Level 2          | Level 3        |
| <b>15 Fair value hierarchy (continued)</b>                               |                                       |                             |                  |                |
| <b>2009</b>                                                              |                                       |                             |                  |                |
| <b>Assets</b>                                                            |                                       |                             |                  |                |
| Loans and advances to banks                                              | 46 565                                | 11 521                      | 35 044           | -              |
| Cash equivalent advances to customers                                    | 12 918                                | 12 918                      | -                | -              |
| Reverse repurchase agreements and cash collateral on securities borrowed | 364 733                               | 174 050                     | 190 683          | -              |
| Trading securities                                                       | 2 313 845                             | 1 294 574                   | 977 342          | 41 929         |
| Derivative financial instruments                                         | 1 582 908                             | 82 370                      | 1 409 762        | 90 776         |
| Investment securities                                                    | 1 027 404                             | 844 340                     | 156 956          | 26 108         |
| Loans and advances to customers                                          | 1 295 691                             | -                           | 1 070 806        | 224 885        |
| Securitised assets                                                       | 188 947                               | 126 752                     | 17 896           | 44 299         |
| Other assets                                                             | 318 358                               | 317 652                     | 706              | -              |
| Investment properties                                                    | 189 156                               | -                           | 189 156          | -              |
|                                                                          | <b>7 340 533</b>                      | <b>2 864 177</b>            | <b>4 048 359</b> | <b>427 997</b> |
| <b>Liabilities</b>                                                       |                                       |                             |                  |                |
| Deposits by banks                                                        | 5 546                                 | 5 546                       | -                | -              |
| Derivative financial instruments                                         | 1 196 326                             | 75 357                      | 1 120 969        | -              |
| Other trading liabilities                                                | 344 561                               | 344 561                     | -                | -              |
| Repurchase agreements and cash collateral on securities lent             | 381 411                               | 168 046                     | 213 365          | -              |
| Customer accounts                                                        | 1 024 245                             | 19                          | 1 024 226        | -              |
| Liabilities arising on securitisation                                    | 111 504                               | 111 504                     | -                | -              |
| Other liabilities                                                        | 251 552                               | 231 521                     | 20 031           | -              |
|                                                                          | <b>3 315 145</b>                      | <b>936 554</b>              | <b>2 378 591</b> | <b>-</b>       |
| <b>2008</b>                                                              |                                       |                             |                  |                |
| <b>Assets</b>                                                            |                                       |                             |                  |                |
| Reverse repurchase agreements and cash collateral on securities borrowed | 246 187                               | 181 187                     | 65 000           | -              |
| Trading securities                                                       | 1 984 580                             | 1 544 787                   | 423 622          | 16 171         |
| Derivative financial instruments                                         | 1 305 264                             | 214 953                     | 1 022 826        | 67 485         |
| Investment securities                                                    | 1 053 123                             | 52 294                      | 1 000 829        | -              |
| Loans and advances to customers                                          | 1 104 940                             | -                           | 892 057          | 212 883        |
| Securitised assets                                                       | 178 718                               | -                           | 100 462          | 78 256         |
| Investment properties                                                    | 134 975                               | -                           | 134 975          | -              |
|                                                                          | <b>6 067 787</b>                      | <b>1 993 221</b>            | <b>3 639 771</b> | <b>374 795</b> |
| <b>Liabilities</b>                                                       |                                       |                             |                  |                |
| Deposits by banks                                                        | 5 104                                 | 5 104                       | -                | -              |
| Derivative financial instruments                                         | 881 577                               | 196 831                     | 684 746          | -              |
| Other trading liabilities                                                | 450 580                               | 450 580                     | -                | -              |
| Repurchase agreements and cash collateral on securities lent             | 250 429                               | 147 429                     | 103 000          | -              |
| Customer accounts                                                        | 1 116 167                             | -                           | 1 116 167        | -              |
| Liabilities arising on securitisation                                    | 191 527                               | -                           | 191 527          | -              |
| Other liabilities                                                        | 22 146                                | -                           | 22 146           | -              |
|                                                                          | <b>2 917 530</b>                      | <b>799 944</b>              | <b>2 117 586</b> | <b>-</b>       |



## Notes to the financial statements

### 16 Analysis of assets and liabilities by financial instrument classification

Set out below is a comparison by class of the carrying amounts and fair values of the group's financial instruments that are recognised on balance sheet. The table does not include the fair values of non-financial assets and non-financial liabilities.

| At 31 March<br>£'000                                                     | 2009               |            | 2008               |            |
|--------------------------------------------------------------------------|--------------------|------------|--------------------|------------|
|                                                                          | Carrying<br>amount | Fair Value | Carrying<br>amount | Fair Value |
| <b>Assets</b>                                                            |                    |            |                    |            |
| Cash and balances at central banks                                       | 1 105 089          | 1 105 089  | 788 472            | 788 472    |
| Loans and advances to banks                                              | 2 018 089          | 2 018 092  | 2 153 773          | 2 154 016  |
| Cash equivalent advances to customers                                    | 396 173            | 396 173    | 504 382            | 504 382    |
| Reverse repurchase agreements and cash collateral on securities borrowed | 569 770            | 569 770    | 794 153            | 794 153    |
| Trading securities                                                       | 2 313 845          | 2 313 845  | 1 984 580          | 1 984 580  |
| Derivative financial instruments                                         | 1 582 908          | 1 582 908  | 1 305 264          | 1 305 264  |
| Investment securities                                                    | 1 063 569          | 1 082 182  | 1 130 872          | 1 130 872  |
| Loans and advances to customers                                          | 15 390 519         | 15 353 234 | 12 011 261         | 12 062 411 |
| Loans and advances to customers - Kensington warehouse assets            | 1 897 878          | 1 897 878  | 2 034 874          | 2 034 874  |
| Securitised assets                                                       | 5 628 347          | 5 644 496  | 6 082 975          | 6 072 863  |
| Other assets                                                             | 590 774            | 507 700    | 724 745            | 724 745    |
| <b>Liabilities</b>                                                       |                    |            |                    |            |
| Deposits by banks                                                        | 3 781 153          | 3 772 537  | 3 489 032          | 3 499 340  |
| Deposits by banks - Kensington warehouse funding                         | 1 412 961          | 1 412 961  | 1 778 438          | 1 778 438  |
| Derivative financial instruments                                         | 1 196 326          | 1 196 326  | 881 577            | 881 577    |
| Other trading liabilities                                                | 344 561            | 344 561    | 450 580            | 450 580    |
| Repurchase agreements and cash collateral on securities lent             | 915 850            | 915 850    | 382 384            | 382 384    |
| Customer accounts                                                        | 14 572 568         | 14 492 553 | 12 133 120         | 12 129 264 |
| Debt securities in issue                                                 | 1 014 871          | 1 011 683  | 777 769            | 778 469    |
| Liabilities arising on securitisation                                    | 5 203 473          | 5 232 010  | 5 760 208          | 5 759 253  |
| Other liabilities                                                        | 959 170            | 959 260    | 955 241            | 955 241    |
| Subordinated liabilities (including convertible debt)                    | 1 141 376          | 792 203    | 1 065 321          | 932 675    |

The following describes the methodologies and assumptions used to determine fair values for those financial assets which are not already recorded at fair value in the financial statements.

#### Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value. This assumption also applies to demand deposits, and savings accounts without a specific maturity.

#### Fixed rate financial instruments

The fair value of fixed rate financial assets and financial liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and maturity. For quoted debt issued, the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

## Notes to the financial statements

### 17 Designated at fair value loans and receivables and financial liabilities

| At 31 March<br>Loans and receivables<br>£'000 | Carrying<br>value | Fair value adjustment |            | Change in fair value<br>attributable to credit risk |            | Maximum<br>exposure<br>to credit | Carrying<br>value of<br>related<br>credit risk<br>derivatives<br>or similar<br>instrument | Change in fair value of<br>credit derivative since<br>designation of loan or<br>receivable |            |
|-----------------------------------------------|-------------------|-----------------------|------------|-----------------------------------------------------|------------|----------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|------------|
|                                               |                   | Year to date          | Cumulative | Year to date                                        | Cumulative |                                  |                                                                                           | Year to date                                                                               | Cumulative |
| <b>2009</b>                                   |                   |                       |            |                                                     |            |                                  |                                                                                           |                                                                                            |            |
| Loans and advances to<br>banks                | 35 045            | 1 685                 | 6 486      | -                                                   | -          | 35 045                           | -                                                                                         | -                                                                                          | -          |
| Loans and advances to<br>customers            | 1 287 894         | 59 552                | 64 289     | 100                                                 | -          | 1 287 894                        | -                                                                                         | -                                                                                          | -          |
| Securitised assets                            | 77 434            | (2 854)               | 7 188      | (5 927)                                             | 8 629      | 77 434                           | 18 267                                                                                    | 15 725                                                                                     | 18 267     |
|                                               | 1 400 373         | 58 383                | 77 963     | (5 827)                                             | 8 629      | 1 400 373                        | 18 267                                                                                    | 15 725                                                                                     | 18 267     |
| <b>2008</b>                                   |                   |                       |            |                                                     |            |                                  |                                                                                           |                                                                                            |            |
| Loans and advances to<br>customers            | 1 104 940         | 47 962                | 132 766    | 76                                                  | (92)       | 1 104 940                        | -                                                                                         | -                                                                                          | -          |
| Securitised assets                            | 27 928            | 15 063                | 15 063     | -                                                   | -          | 27 928                           | -                                                                                         | -                                                                                          | -          |
|                                               | 1 132 868         | 63 025                | 147 829    | 76                                                  | (92)       | 1 132 868                        | -                                                                                         | -                                                                                          | -          |

| At 31 March<br>Financial liabilities<br>£'000 | Carrying<br>value | Remaining<br>contractual<br>amount to<br>be repaid to<br>maturity | Fair value adjustment |            |
|-----------------------------------------------|-------------------|-------------------------------------------------------------------|-----------------------|------------|
|                                               |                   |                                                                   | Year to<br>date       | Cumulative |
| <b>2009</b>                                   |                   |                                                                   |                       |            |
| Customer accounts                             | 1 003 777         | 1 033 354                                                         | (30 511)              | (29 577)   |
| Securitised liabilities                       | 111 504           | 111 490                                                           | -                     | 14         |
| Other liabilities                             | 23 490            | 25 405                                                            | (7 191)               | (1 915)    |
|                                               | 1 138 771         | 1 170 249                                                         | (37 702)              | (31 478)   |
| <b>2008</b>                                   |                   |                                                                   |                       |            |
| Customer accounts                             | 988 875           | 992 137                                                           | (11 887)              | (3 262)    |
| Other liabilities                             | 22 146            | 17 159                                                            | 2 187                 | 4 988      |
|                                               | 1 011 021         | 1 009 296                                                         | (9 700)               | 1 726      |

Changes in fair value attributable to credit risk are determined as the change in the fair value of the financial instrument that is not attributable to changes in market inputs



## Notes to the financial statements

### 18 Reverse repurchase agreements and cash collateral on securities borrowed and repurchase agreements and cash collateral on securities lent

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                                  | 2009           | 2008           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Assets</b>                                                                                                                                                                                                                                                                                                                         |                |                |
| Reverse repurchase agreements                                                                                                                                                                                                                                                                                                         | 342 531        | 246 187        |
| Cash collateral on securities borrowed                                                                                                                                                                                                                                                                                                | 227 239        | 547 966        |
|                                                                                                                                                                                                                                                                                                                                       | <b>569 770</b> | <b>794 153</b> |
| As part of the reverse repurchase and securities borrowing agreements, the group has received securities that it is allowed to sell or repledge. £343 million (2008: £246 million) has been resold or repledged to third parties in connection with financing activities or to comply with commitments under short sale transactions. |                |                |
| <b>Liabilities</b>                                                                                                                                                                                                                                                                                                                    |                |                |
| Repurchase agreements                                                                                                                                                                                                                                                                                                                 | 909 050        | 360 578        |
| Cash collateral on securities lent                                                                                                                                                                                                                                                                                                    | 6 800          | 21 806         |
|                                                                                                                                                                                                                                                                                                                                       | <b>915 850</b> | <b>382 384</b> |

### 19 Trading securities

| At 31 March<br>£'000 | 2009             |                                       | 2008             |                                       |
|----------------------|------------------|---------------------------------------|------------------|---------------------------------------|
|                      | Carrying value   | Cumulative unrealised gains/ (losses) | Carrying value   | Cumulative unrealised gains/ (losses) |
| Listed equities      | 379 661          | (101 230)                             | 456 820          | 20 138                                |
| Unlisted equities    | 407 203          | 169 346                               | 243 048          | 125 764                               |
| Promissory notes     | 556 033          | 11 621                                | 12 120           | 402                                   |
| Liquid asset bills   | 451 063          | (10 548)                              | 143 536          | 1 420                                 |
| Debentures           | 97 658           | (2 054)                               | 756 699          | 6 100                                 |
| Bonds                | 422 227          | (26 177)                              | 372 357          | (19 519)                              |
|                      | <b>2 313 845</b> | <b>40 958</b>                         | <b>1 984 580</b> | <b>134 305</b>                        |

### 20 Derivative financial instruments

#### Derivatives

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

In the tables that follow, notional principal amounts indicate the volume of business outstanding at the balance sheet date and do not represent amounts at risk. The fair value of a derivative financial instrument represents the positive or negative cash flows which would have occurred had the rights and obligations arising from that instrument been closed out by the group in an orderly market transaction at balance sheet date.

## Notes to the financial statements

### 20 Derivative financial instruments (continued)

| At 31 March<br>£'000                      | Notional<br>principal<br>amounts | 2009<br>Positive<br>fair value | Negative<br>fair value | Notional<br>principal<br>amounts | 2008<br>Positive<br>fair value | Negative<br>fair value |
|-------------------------------------------|----------------------------------|--------------------------------|------------------------|----------------------------------|--------------------------------|------------------------|
| <b>Foreign exchange derivatives</b>       |                                  |                                |                        |                                  |                                |                        |
| Forward foreign exchange                  | 3 184 331                        | 124 848                        | 76 835                 | 4 021 799                        | 87 673                         | 110 650                |
| Currency swaps                            | 9 132 153                        | 291 621                        | 77 264                 | 7 309 994                        | 459 267                        | 219 113                |
| OTC options bought and sold               | 428 147                          | 8 582                          | 16 994                 | 390 846                          | 6 285                          | 1 973                  |
| Other foreign exchange contracts          | 935 488                          | 21 319                         | 20 046                 |                                  | 142                            | 276                    |
| OTC derivatives                           | 13 680 119                       | 446 370                        | 191 139                | 11 722 639                       | 553 367                        | 332 012                |
| Exchange traded futures                   | 277 305                          | 856                            | 17                     | 72 312                           | -                              | -                      |
|                                           | 13 957 424                       | 447 226                        | 191 156                | 11 794 951                       | 553 367                        | 332 012                |
| <b>Interest rate derivatives</b>          |                                  |                                |                        |                                  |                                |                        |
| Caps and floors                           | 928 449                          | 104                            | 3 466                  | 2 519 807                        | 2 184                          | 3 490                  |
| Swaps                                     | 35 984 634                       | 556 022                        | 535 405                | 33 377 251                       | 360 565                        | 348 708                |
| Forward rate agreements                   | 42 163 189                       | 91 724                         | 84 669                 | 32 638 671                       | 43 739                         | 40 945                 |
| OTC options bought and sold               | 812 820                          | 12 224                         | 12 225                 | 585 152                          | 640                            | 60                     |
| Other interest rate contracts             | 2 955 484                        | 11 533                         | 12 605                 |                                  | -                              | -                      |
| OTC derivatives                           | 82 844 576                       | 671 607                        | 648 370                | 69 120 881                       | 407 128                        | 393 203                |
| Exchange traded futures                   | 28 817 996                       | 844                            |                        | 22 359 770                       | 494                            | 1 027                  |
| Exchange traded options                   | 720 391 308                      | 2 107                          | 3 384                  | 594 783 497                      | 13 669                         | 14 730                 |
|                                           | 832 053 880                      | 674 558                        | 651 754                | 686 264 148                      | 421 291                        | 408 960                |
| <b>Equity and stock index derivatives</b> |                                  |                                |                        |                                  |                                |                        |
| OTC options bought and sold               | 387 936                          | 21 645                         | 105 371                | 513 771                          | 32 189                         | 34 670                 |
| Equity swaps and forwards                 | 1                                | 165                            | 135                    | 76 770                           | 717                            | 1 071                  |
| OTC derivatives                           | 387 937                          | 21 810                         | 105 506                | 590 541                          | 32 906                         | 35 741                 |
| Exchange traded futures                   | 13                               | -                              | -                      | 877 715                          | -                              | 535                    |
| Exchange traded options                   | 141 767                          | 11 491                         | 22 402                 | 158 928                          | 6 736                          | 6 758                  |
| Warrants                                  | -                                | 819                            | -                      | 48 573                           | 8 912                          | 5 946                  |
|                                           | 529 717                          | 34 120                         | 127 908                | 1 675 757                        | 48 554                         | 48 980                 |
| <b>Commodity derivatives</b>              |                                  |                                |                        |                                  |                                |                        |
| OTC options bought and sold               | 647 032                          | 154 104                        | 167 651                | 437 078                          | 29 650                         | 1 067                  |
| Commodity swaps and forwards              | 2 829 819                        | 428 296                        | 455 477                | 2 298 046                        | 263 650                        | 183 359                |
| OTC derivatives                           | 3 476 851                        | 582 400                        | 623 128                | 2 735 124                        | 293 300                        | 184 426                |
| Exchange traded futures                   | 2 071 590                        | 294 340                        | 170 617                | 1 519 836                        | 172 769                        | 146 229                |
| Exchange traded options                   | 35 544                           | 9 110                          | 1 138                  | 271 205                          | 21 285                         | 27 552                 |
|                                           | 5 583 985                        | 885 850                        | 794 883                | 4 526 165                        | 487 354                        | 358 207                |
| <b>Credit derivatives</b>                 |                                  |                                |                        |                                  |                                |                        |
| Credit linked notes bought and sold       | 23 937                           | 7 708                          | -                      | 78 081                           | 8 725                          | 6 209                  |
| Credit swaps bought and sold              | 45 990                           | 26 227                         | 4 062                  | -                                | -                              | -                      |
|                                           | 69 927                           | 33 935                         | 4 062                  | 78 081                           | 8 725                          | 6 209                  |
| <b>Embedded derivatives*</b>              |                                  | 80 657                         | -                      |                                  | 58 764                         | -                      |
| Gross fair values                         |                                  | 2 156 345                      | 1 769 763              |                                  | 1 578 055                      | 1 154 368              |
| Effect of on balance sheet netting        |                                  | (573 437)                      | (573 437)              |                                  | (272 791)                      | (272 791)              |
| Derivatives per balance sheet             |                                  | 1 582 908                      | 1 196 326              |                                  | 1 305 264                      | 881 577                |

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

## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                              | 2009              | 2008              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| <b>21 Investment securities</b>                                                                                                                                                                                                                                   |                   |                   |
| Listed equities                                                                                                                                                                                                                                                   | 15 592            | 25 602            |
| Unlisted equities                                                                                                                                                                                                                                                 | 45 319            | 48 316            |
| Bonds                                                                                                                                                                                                                                                             | 169 023           | 1 610             |
| Floating rate notes                                                                                                                                                                                                                                               | 488 618           | 405 370           |
| Commercial paper                                                                                                                                                                                                                                                  | 344 853           | 649 801           |
| Other investments                                                                                                                                                                                                                                                 | 164               | 173               |
|                                                                                                                                                                                                                                                                   | <b>1 063 569</b>  | <b>1 130 872</b>  |
| <b>22 Loans and advances to customers</b>                                                                                                                                                                                                                         |                   |                   |
| Loans and advances to customers                                                                                                                                                                                                                                   | 15 390 519        | 12 011 261        |
| Loans and advances to customers - Kensington warehouse assets                                                                                                                                                                                                     | 1 897 878         | 2 034 874         |
| Specific and portfolio impairments included above                                                                                                                                                                                                                 | 233 686           | 79 331            |
| Gross loans and advances to customers                                                                                                                                                                                                                             | <b>17 522 083</b> | <b>14 125 466</b> |
| Less warehouse facilities and warehouse assets arising from securitisation and principal finance activities*                                                                                                                                                      | (2 257 213)       | (2 131 513)       |
| Own originated securitised assets (refer to note 23)                                                                                                                                                                                                              | 1 128 333         | 913 814           |
| Gross core loans and advances to customers                                                                                                                                                                                                                        | <b>16 393 203</b> | <b>12 907 767</b> |
| * Whilst the group manages all risks (including credit risk) from a day to day operational perspective, these assets are within special purpose vehicles that ring fence the assets to specific credit providers and limits security to the assets in the vehicle |                   |                   |
| For further analysis on gross core loans and advances refer to pages 106 to 120 in the risk management section                                                                                                                                                    |                   |                   |
| <b>Specific and portfolio impairments</b>                                                                                                                                                                                                                         |                   |                   |
| <b>Reconciliation of movements in specific and portfolio impairments</b>                                                                                                                                                                                          |                   |                   |
| <b>Specific impairment</b>                                                                                                                                                                                                                                        |                   |                   |
| Balance at beginning of year                                                                                                                                                                                                                                      | 50 763            | 33 129            |
| Charge to the income statement                                                                                                                                                                                                                                    | 156 663           | 57 293            |
| Acquired                                                                                                                                                                                                                                                          | -                 | 147               |
| Utilised                                                                                                                                                                                                                                                          | (54 784)          | (41 819)          |
| Exchange adjustment                                                                                                                                                                                                                                               | 10 496            | 2 013             |
| Balance at end of year                                                                                                                                                                                                                                            | <b>163 138</b>    | <b>50 763</b>     |
| <b>Portfolio impairment</b>                                                                                                                                                                                                                                       |                   |                   |
| Balance at beginning of year                                                                                                                                                                                                                                      | 6 694             | 6 662             |
| Charge to the income statement                                                                                                                                                                                                                                    | 1 654             | 1 358             |
| Acquired                                                                                                                                                                                                                                                          | -                 | 117               |
| Utilised                                                                                                                                                                                                                                                          | -                 | (743)             |
| Exchange adjustment                                                                                                                                                                                                                                               | 1 104             | (700)             |
| Balance at end of year                                                                                                                                                                                                                                            | <b>9 452</b>      | <b>6 694</b>      |
| <b>Kensington warehouse loans</b>                                                                                                                                                                                                                                 |                   |                   |
| <b>Specific impairment</b>                                                                                                                                                                                                                                        |                   |                   |
| Balance at beginning of year                                                                                                                                                                                                                                      | 21 874            | -                 |
| Charge to the income statement                                                                                                                                                                                                                                    | 8 100             | 21 874            |
| Utilised                                                                                                                                                                                                                                                          | (3 327)           | -                 |
| Balance at end of year                                                                                                                                                                                                                                            | <b>26 647</b>     | <b>21 874</b>     |
| <b>Portfolio impairment</b>                                                                                                                                                                                                                                       |                   |                   |
| Balance at beginning of year                                                                                                                                                                                                                                      | -                 | -                 |
| Charge to the income statement                                                                                                                                                                                                                                    | 34 449            | -                 |
| Balance at end of year                                                                                                                                                                                                                                            | <b>34 449</b>     | <b>-</b>          |

## Notes to the financial statements

| At 31 March<br>£'000                                                                                | 2009      | 2008      |
|-----------------------------------------------------------------------------------------------------|-----------|-----------|
| <b>22 Loans and advances to customers (continued)</b>                                               |           |           |
| Total specific impairments                                                                          | 189 785   | 72 637    |
| Total portfolio impairments                                                                         | 43 901    | 6 694     |
| Total impairments                                                                                   | 233 686   | 79 331    |
| Interest income recognised on loans that have been impaired                                         | 26 468    | 1 356     |
| Amounts charged to income statement                                                                 |           |           |
| Loans and advances                                                                                  | 158 317   | 58 651    |
| Specific impairment charged to income statement                                                     | 156 663   | 57 293    |
| Portfolio impairment charged to income statement                                                    | 1 654     | 1 358     |
| Kensington warehouse loans                                                                          | 42 549    | 21 874    |
| Specific impairment charged to income statement                                                     | 8 100     | 21 874    |
| Portfolio impairment charged to income statement                                                    | 34 449    | -         |
| Securitised assets (refer to note 23)                                                               | 54 075    | 33 660    |
| Specific impairment charged to income statement                                                     | 26 152    | 33 660    |
| Portfolio impairment charged to income statement                                                    | 27 923    | -         |
| Bad debts written off directly to the income statement                                              | 1 232     | -         |
| Total income statement charge                                                                       | 256 173   | 114 185   |
| <b>23 Securitised assets</b>                                                                        |           |           |
| Securitised assets are made up of the following categories of assets                                |           |           |
| Loans and advances to banks                                                                         | 48 354    | 477 785   |
| Cash and cash equivalents                                                                           | 567 449   | -         |
| Loans and advances to customers                                                                     | 4 892 437 | 5 488 217 |
| Other financial instruments at fair value                                                           | 189 447   | 150 785   |
| Total impairment of securitised assets                                                              | 5 697 687 | 6 116 787 |
| Total securitised assets                                                                            | (69 340)  | (33 812)  |
|                                                                                                     | 5 628 347 | 6 082 975 |
| The associated liabilities are recorded on balance sheet in "liabilities arising on securitisation" |           |           |
| Carrying value at 31 March                                                                          | 5 203 473 | 5 760 208 |
| Analysis of securitised assets by risk exposure                                                     |           |           |
| Own originated securitised assets forming part of gross core loans and advances to customers        | 1 128 333 | 913 814   |
| Securitisation exposures arising from securitisation/principal finance activities                   | 293 634   | 250 801   |
| Total credit and counterparty exposure                                                              | 1 421 967 | 1 164 615 |
| Securitised assets with no legal credit exposure                                                    | 4 206 380 | 4 918 360 |
| Gross securitised assets deemed to have no legal credit exposure                                    | 4 275 720 | 4 952 172 |
| Impairment of securitised assets deemed to have no legal credit exposure                            | (69 340)  | (33 812)  |
| Total securitised assets                                                                            | 5 628 347 | 6 082 975 |

## Notes to the financial statements

| At 31 March<br>£'000                                                                                               | 2009     | 2008    |
|--------------------------------------------------------------------------------------------------------------------|----------|---------|
| <b>23 Securitised assets (continued)</b>                                                                           |          |         |
| Specific and portfolio impairments                                                                                 |          |         |
| Reconciliation of movements in specific and portfolio impairments of loans and advances that have been securitised |          |         |
| Specific impairment                                                                                                |          |         |
| Balance at beginning of year                                                                                       | 33 812   | 65      |
| Charge to the income statement                                                                                     | 26 152   | 33 660  |
| Utilised                                                                                                           | (18 673) | (36)    |
| Exchange adjustment                                                                                                | 106      | 123     |
| Balance at end of year                                                                                             | 41 397   | 33 812  |
| Portfolio impairment                                                                                               |          |         |
| Balance at beginning of year                                                                                       | -        | 133     |
| Charge to the income statement                                                                                     | 27 923   | -       |
| Utilised                                                                                                           | -        | (117)   |
| Exchange adjustment                                                                                                | 20       | (16)    |
| Balance at end of year                                                                                             | 27 943   | -       |
| Total impairments                                                                                                  | 69 340   | 33 812  |
| <b>24 Interests in associated undertakings</b>                                                                     |          |         |
| Interests in associated undertakings consist of                                                                    |          |         |
| Net asset value                                                                                                    | 29 821   | 18 372  |
| Goodwill                                                                                                           | 63 673   | 64 204  |
| Investment in associated undertaking                                                                               | 93 494   | 82 576  |
| Analysis of the movement in our share of net assets                                                                |          |         |
| At beginning of year                                                                                               | 18 372   | 6 128   |
| Exchange adjustments                                                                                               | 529      | 144     |
| Acquisitions                                                                                                       | 1 224    | 1 676   |
| Disposal of shareholding in associate company                                                                      | -        | (113)   |
| Operating income from associates                                                                                   | 12 438   | 12 138  |
| Loans to associate                                                                                                 | 2 489    | -       |
| Dividends received                                                                                                 | (5 349)  | (5 065) |
| Gains recognised in equity                                                                                         | 118      | 3 464   |
| At end of year                                                                                                     | 29 821   | 18 372  |
| Analysis of the movement in goodwill                                                                               |          |         |
| At beginning of year                                                                                               | 64 204   | 64 204  |
| Exchange adjustments                                                                                               | 832      | -       |
| Goodwill impairment                                                                                                | (1 363)  | -       |
| At end of year                                                                                                     | 63 673   | 64 204  |
| Associated undertakings                                                                                            |          |         |
| Listed                                                                                                             | 72 426   | 65 651  |
| Unlisted                                                                                                           | 21 068   | 16 925  |
|                                                                                                                    | 93 494   | 82 576  |
| Market value of listed investments                                                                                 | 82 628   | 108 449 |

## Notes to the financial statements

### 24 Interests in associated undertakings (continued)

| At 31 March<br>£'000                                                                                                                                                                                            | 2009       | 2008       |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|
| The most significant investment held in associates in the year was Rensburg Sheppards plc ("RS"). RS is a listed company on the London Stock Exchange and conducts the business of private client stockbroking. |            |            |
| At 31 March Rensburg Sheppards plc had the following shares of 10 90/91p                                                                                                                                        | 43 883 500 | 43 883 500 |
| Less: Shares held in RS Employee Share Ownership Trust                                                                                                                                                          | (210 350)  | (229 600)  |
|                                                                                                                                                                                                                 | 43 673 150 | 43 653 900 |
| Holding in Rensburg Sheppards ordinary share (%)                                                                                                                                                                | 47.30%     | 47.32%     |

- \* Investec has undertaken not to vote in excess of 30% of the issued capital of RS in the five year period ending 6 May 2010

Significant transactions between the group and RS during the year ended 31 March 2009, all of which are on arm's length basis are:

- £39 375 million (2008: £50 0 million) subordinated loan from Investec Bank plc to RS. This loan, which was originally £60 million from Investec 1 Limited to RS, was entered into on 6 May 2005 and formed part of the consideration paid by RS for the acquisition of Carr Sheppards Crosthwaite Limited. On 28 September 2007 the remaining balance was transferred to Investec Bank plc. On 6 May 2009 a further £5 625 million was repaid. The interest receivable on the loan during the year amounted to £2 896 000 (2008: £3 716 000) of which £1 127 000 was receivable at 31 March 2009 (2008: £1 447 000).
- Rent of £1.4 million (2008: £1.1 million) and a contribution of £0.2 million (2008: £0.2 million) in respect of RS occupation of 2 Gresham Street. A further £0.5 million (2008: £0.7 million) was received in relation to other services provided including IT and Internal Audit.

| Rensburg Sheppards plc | Assets  | Liabilities | Revenues | Adjusted profit before taxation* |
|------------------------|---------|-------------|----------|----------------------------------|
| 31 March 2009          | 390 163 | 192 480     | 118 874  | 36 605                           |
| 31 March 2008          | 386 585 | 200 470     | 132 928  | 41 469                           |

- \* Before amortisation of client relationships intangible asset, share based payments relating to the Employee Benefit Trust, reorganisation costs and profit on disposal of available for sale investments



## Notes to the financial statements

| At 31 March<br>£'000                                                              | 2009           | 2008           |
|-----------------------------------------------------------------------------------|----------------|----------------|
| <b>25 Deferred taxation</b>                                                       |                |                |
| Deferred taxation assets                                                          |                |                |
| Deferred capital allowances                                                       | 46 370         | 28 813         |
| Income and expenditure accruals                                                   | 44 802         | 38 590         |
| Asset in respect of unexpired options                                             | 8 268          | 5 710          |
| Unrealised fair value adjustments on financial instruments                        | 16 362         | 117            |
| Losses carried forward                                                            | 14 612         | 2 701          |
| Other temporary differences                                                       | 6 343          | 8 562          |
|                                                                                   | <b>136 757</b> | <b>84 493</b>  |
| Deferred taxation liabilities                                                     |                |                |
| Unrealised fair value adjustments on financial instruments                        | 66 521         | 43 464         |
| Ansing on anticipated foreign dividends                                           | 7 315          | 7 027          |
| Liability in respect of pensions surplus                                          | 12             | 3 793          |
| Capital allowances                                                                | 3 357          | 6 915          |
| Income and expense accruals                                                       | 3 801          | 6 830          |
| Other temporary differences                                                       | 39 129         | 11 143         |
|                                                                                   | <b>120 135</b> | <b>79 172</b>  |
| <b>Net deferred taxation asset</b>                                                | <b>16 622</b>  | <b>5 321</b>   |
| Reconciliation of net deferred taxation asset                                     |                |                |
| At beginning of year                                                              | 5 321          | 11 346         |
| (Charge)/credit to profit and loss                                                | (10 040)       | 12 392         |
| - Current year taxation                                                           | (10 040)       | 13 969         |
| - Change in taxation rate                                                         | -              | (1 577)        |
| Credit/(charge) directly in equity                                                | 21 112         | (16 749)       |
| Deferred taxation arising on pension fund deficit movement in equity              | -              | (2 977)        |
| Ansing on acquisitions                                                            | -              | 4 789          |
| Transfer from corporate taxation                                                  | 2 368          | -              |
| Transfer to corporation taxation in respect of pensions contributions             | -              | (7 026)        |
| Other                                                                             | 536            | -              |
| Exchange adjustments                                                              | (2 675)        | 3 546          |
| At year end                                                                       | <b>16 622</b>  | <b>5 321</b>   |
| Deferred taxation on available for sale instruments recognised directly in equity | 1 141          | (5 697)        |
| Current taxation recognised directly in equity                                    | -              | 6 202          |
| <b>26 Other assets</b>                                                            |                |                |
| Settlement debtors                                                                | 476 357        | 401 930        |
| Operating lease assets in stock                                                   | -              | 10 671         |
| Dealing properties                                                                | 38 744         | 25 299         |
| Accruals and prepayments                                                          | 64 015         | 63 201         |
| Pension assets (refer to note 36)                                                 | 10 326         | 18 256         |
| Other debtors                                                                     | 304 620        | 362 852        |
|                                                                                   | <b>894 062</b> | <b>882 209</b> |

## Notes to the financial statements

| At 31 March<br>£'000                   | Freehold<br>properties | Leasehold<br>improve-<br>ments | Furniture<br>and<br>vehicles | Equipment      | Total          |
|----------------------------------------|------------------------|--------------------------------|------------------------------|----------------|----------------|
| <b>27 Property and equipment</b>       |                        |                                |                              |                |                |
| <b>2009</b>                            |                        |                                |                              |                |                |
| <b>Cost</b>                            |                        |                                |                              |                |                |
| At beginning of year                   | 8 997                  | 32 420                         | 18 339                       | 142 710        | 202 466        |
| Exchange adjustments                   | 3 135                  | 1 593                          | 3 121                        | 46 472         | 54 321         |
| Reclassifications                      | -                      | -                              | (2 984)                      | 4 238          | 1 254          |
| Additions                              | 460                    | 5 338                          | 3 437                        | 9 084          | 18 319         |
| Disposals                              | (1 369)                | (19)                           | (695)                        | (7 478)        | (9 561)        |
| At end of year                         | 11 223                 | 39 332                         | 21 218                       | 195 026        | 266 799        |
| <b>Accumulated depreciation</b>        |                        |                                |                              |                |                |
| At beginning of year                   | (26)                   | (12 304)                       | (13 243)                     | (35 541)       | (61 114)       |
| Exchange adjustments                   | -                      | (893)                          | (1 401)                      | (11 569)       | (13 863)       |
| Reclassifications                      | -                      | -                              | 2 984                        | (4 238)        | (1 254)        |
| Disposals                              | 26                     | 19                             | 417                          | 2 158          | 2 620          |
| Depreciation charge for year           | -                      | (2 823)                        | (1 748)                      | (14 085)       | (18 656)       |
| At end of year                         | -                      | (16 001)                       | (12 991)                     | (63 275)       | (92 267)       |
| <b>Net carrying value</b>              | <b>11 223</b>          | <b>23 331</b>                  | <b>8 227</b>                 | <b>131 751</b> | <b>174 532</b> |
| <b>2008</b>                            |                        |                                |                              |                |                |
| <b>Cost</b>                            |                        |                                |                              |                |                |
| At beginning of year                   | 5 958                  | 24 527                         | 15 269                       | 137 039        | 182 793        |
| Exchange adjustments                   | (23)                   | 355                            | (964)                        | (3 885)        | (4 517)        |
| Acquisition of subsidiary undertakings | -                      | 117                            | 1 343                        | 1 872          | 3 332          |
| Reclassifications                      | -                      | (200)                          | -                            | (973)          | (1 173)        |
| Additions                              | 3 062                  | 7 637                          | 3 472                        | 11 398         | 25 569         |
| Disposals                              | -                      | (16)                           | (781)                        | (2 741)        | (3 538)        |
| At end of year                         | 8 997                  | 32 420                         | 18 339                       | 142 710        | 202 466        |
| <b>Accumulated depreciation</b>        |                        |                                |                              |                |                |
| At beginning of year                   | (13)                   | (10 128)                       | (11 659)                     | (29 488)       | (51 288)       |
| Exchange adjustments                   | -                      | (126)                          | 630                          | 1 544          | 2 048          |
| Reclassifications                      | -                      | -                              | (254)                        | 1 427          | 1 173          |
| Disposals                              | -                      | (3)                            | 601                          | 2 127          | 2 725          |
| Depreciation charge for year           | (13)                   | (2 047)                        | (2 561)                      | (11 151)       | (15 772)       |
| At end of year                         | (26)                   | (12 304)                       | (13 243)                     | (35 541)       | (61 114)       |
| <b>Net carrying value</b>              | <b>8 971</b>           | <b>20 116</b>                  | <b>5 096</b>                 | <b>107 169</b> | <b>141 352</b> |





## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                       | 2009             | 2008             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>28 Investment properties</b>                                                                                                                                                                                                                                                                                            |                  |                  |
| At beginning of year                                                                                                                                                                                                                                                                                                       | 134 975          | 85 424           |
| Additions                                                                                                                                                                                                                                                                                                                  | 17 022           | 26 333           |
| Disposals                                                                                                                                                                                                                                                                                                                  | (7 142)          | (3 190)          |
| Fair value movement                                                                                                                                                                                                                                                                                                        | 16 114           | 43 560           |
| Exchange adjustment                                                                                                                                                                                                                                                                                                        | 28 187           | (17 152)         |
| <b>At end of year</b>                                                                                                                                                                                                                                                                                                      | <b>189 156</b>   | <b>134 975</b>   |
| Investment properties are carried at fair value. The group values its investment properties twice annually. The properties were valued by directors who are qualified valuers. The valuation is performed by capitalising the budgeted annual net income of a property at the market related yield applicable at the time. |                  |                  |
| <b>29 Goodwill</b>                                                                                                                                                                                                                                                                                                         |                  |                  |
| <b>Cost</b>                                                                                                                                                                                                                                                                                                                |                  |                  |
| At beginning of year                                                                                                                                                                                                                                                                                                       | 374 308          | 242 527          |
| Acquisition of subsidiaries                                                                                                                                                                                                                                                                                                | -                | 138 550          |
| Goodwill arising on acquisition of shares held by minority                                                                                                                                                                                                                                                                 | -                | 740              |
| Disposal of subsidiaries                                                                                                                                                                                                                                                                                                   | -                | (1 148)          |
| Reclassifications                                                                                                                                                                                                                                                                                                          | (1 459)          | -                |
| Exchange adjustments                                                                                                                                                                                                                                                                                                       | 28 289           | (6 361)          |
| <b>At end of year</b>                                                                                                                                                                                                                                                                                                      | <b>401 138</b>   | <b>374 308</b>   |
| <b>Accumulated impairments</b>                                                                                                                                                                                                                                                                                             |                  |                  |
| At beginning of year                                                                                                                                                                                                                                                                                                       | (102 376)        | (46 644)         |
| Income statement charge                                                                                                                                                                                                                                                                                                    | (31 104)         | (62 765)         |
| Exchange adjustments                                                                                                                                                                                                                                                                                                       | (11 686)         | 7 033            |
| <b>At end of year</b>                                                                                                                                                                                                                                                                                                      | <b>(145 166)</b> | <b>(102 376)</b> |
| <b>Net carrying value</b>                                                                                                                                                                                                                                                                                                  | <b>255 972</b>   | <b>271 932</b>   |
| <b>Analysis of goodwill by line of business and geography</b>                                                                                                                                                                                                                                                              |                  |                  |
| <b>UK and Europe</b>                                                                                                                                                                                                                                                                                                       |                  |                  |
| Private Banking                                                                                                                                                                                                                                                                                                            | 18 596           | 18 004           |
| Capital Markets                                                                                                                                                                                                                                                                                                            | 74 890           | 76 143           |
| Investment Banking                                                                                                                                                                                                                                                                                                         | 18 677           | 32 876           |
| Asset Management                                                                                                                                                                                                                                                                                                           | 88 045           | 88 045           |
|                                                                                                                                                                                                                                                                                                                            | <b>200 208</b>   | <b>215 068</b>   |
| <b>South Africa</b>                                                                                                                                                                                                                                                                                                        |                  |                  |
| Private Client Portfolio Management and Stockbroking                                                                                                                                                                                                                                                                       | 2 662            | 2 240            |
| Asset Management                                                                                                                                                                                                                                                                                                           | 19 615           | 18 277           |
| Property Activities                                                                                                                                                                                                                                                                                                        | 324              | 272              |
|                                                                                                                                                                                                                                                                                                                            | <b>22 601</b>    | <b>20 789</b>    |
| <b>Australia</b>                                                                                                                                                                                                                                                                                                           |                  |                  |
| Private Banking                                                                                                                                                                                                                                                                                                            | 19 483           | 18 536           |
| Investment Banking                                                                                                                                                                                                                                                                                                         | 13 680           | 17 539           |
|                                                                                                                                                                                                                                                                                                                            | <b>33 163</b>    | <b>36 075</b>    |
| <b>Total group</b>                                                                                                                                                                                                                                                                                                         | <b>255 972</b>   | <b>271 932</b>   |
| Reconciliation to income statement                                                                                                                                                                                                                                                                                         |                  |                  |
| Income statement amount per above                                                                                                                                                                                                                                                                                          | 31 104           | 62 765           |
| Impairment of goodwill forming part of associate (refer to note 24)                                                                                                                                                                                                                                                        | 1 363            | -                |
|                                                                                                                                                                                                                                                                                                                            | <b>32 467</b>    | <b>62 765</b>    |

Goodwill is tested annually for impairment, or more frequently if evidence exists that goodwill might be impaired.

The recoverable amount of goodwill is determined based on expected cash flows within the cash generating units of the group to which the goodwill is allocated. Key assumptions within the calculation include discount rates, growth rates in revenue and related expenditure.

Discount rates are arrived at based on pre-taxation rates that reflect current market conditions, adjusted for the specific risks associated with the cash generating unit. Growth rates are based on industry growth forecasts. Cash flow forecasts are based on most recent financial budgets for the next financial year and are extrapolated for a period of 3 years, adjusted for expected future events.

## Notes to the financial statements

### 29 Goodwill (continued)

#### UK, Europe and Australia

The two most significant cash generating units giving rise to goodwill are Investec Asset Management and Kensington

For Investec Asset Management, the recoverability of goodwill of £88.0 million has been tested with reference to both the underlying profitability (taking account 2009 profits before taxation of £17.1 million and budgets and plans for the next three years) and the value of the business as represented by funds under management of £13.1 billion (2008: £13.8 billion). Although both profitability and total funds under management declined during the year reflecting the tougher environment and weak equity markets, the value of goodwill is comfortably supported.

Goodwill of £121.1 million arising on the acquisition of Kensington on 7 August 2008 was written down by £60.0 million at 31 March 2008 to £61.2 million following the managed reduction in business volumes and limited activity in securitisation markets. At 31 March 2009, the remaining goodwill has been tested for impairment on the basis of the existing book, assuming no new mortgage origination and no recovery in securitisation markets. Cash flows have been projected for a 5 year period using the latest available information on debts and expected repayments discounted at 11%. On this basis the value of goodwill is 145% above book value. Future impairment of this goodwill will largely be dependent on the timing of future repayments.

#### South Africa

The majority of goodwill attributed to the South African operations relate to Investec Asset Management, particularly to the businesses from the Fedsure acquisition, which have been identified as a separate cash generating unit. The goodwill relating to Fedsure has been tested for impairment, taking into account profitability being the current year profits and the budgeted profits and funds under management. The discount rates applied of between 10.7% and 13.2% are determined by using the South African risk-free rate adjusted for the risk related to the cash generating unit. An impairment of £1.5 million was recognised in the current year on this goodwill.

#### Movement in goodwill

##### 2009

There were no movements in goodwill arising from acquisitions or disposals of group operations.

##### 2008

Goodwill arising on acquisition includes £121.1 million on the acquisition of Kensington Group plc on 8 August 2007 and £17.5 million in respect of the acquisition of Expenen Pty Limited on 1 October 2007 (see note 31). Kensington Group plc forms part of the Capital Markets segment in the United Kingdom and Expenen Pty Limited forms part of the Private Banking segment in Australia.

#### Income statement movement

##### 2009

- Following adverse movements in commodity prices which have squeezed margins, Global Ethanol Holdings Limited, in which the group has a 68.3% interest, impaired all of the £26.5 million of goodwill mainly relating to its 60% owned subsidiary Global Ethanol LLC.
- Other goodwill impairments of £4.6 million.

##### 2008

- £2.9 million in respect of the portfolio of businesses acquired from the Fedsure Group. The impairment calculation was based on a discounted cashflow valuation, utilising a discount rate of 14.5%. The impairment was in the Asset Management segment in South Africa.
- £59.9 million in respect of the acquisition of Kensington Group plc. The goodwill impairment takes into account the managed reduction in business volumes and the limited activity in securitisation markets. A discount rate of 11% was utilised in the cashflow valuation. The impairment was in the Capital Markets segment in the United Kingdom.



## Notes to the financial statements

| At 31 March<br>£'000                                | Acquired<br>contracts | Acquired<br>software | Internally<br>generate<br>software | Core<br>technology | Intellectual<br>property | Total    |
|-----------------------------------------------------|-----------------------|----------------------|------------------------------------|--------------------|--------------------------|----------|
| <b>30 Intangible assets</b>                         |                       |                      |                                    |                    |                          |          |
| <b>2009</b>                                         |                       |                      |                                    |                    |                          |          |
| <b>Cost</b>                                         |                       |                      |                                    |                    |                          |          |
| At beginning of year                                | -                     | 36 185               | 3 327                              | 11 463             | 3 108                    | 54 083   |
| Exchange adjustments                                | -                     | 811                  | 463                                | 4 483              | 1 230                    | 6 987    |
| Reclassifications                                   | -                     | 2 524                | (1 423)                            | -                  | (504)                    | 597      |
| Additions                                           | -                     | 9 055                | 773                                | -                  | 14 688                   | 24 516   |
| Disposals                                           | -                     | (3 927)              | (843)                              | (9 067)            | (2 518)                  | (16 355) |
| At end of year                                      | -                     | 44 648               | 2 297                              | 6 879              | 16 004                   | 69 828   |
| <b>Accumulated amortisation and<br/>impairments</b> |                       |                      |                                    |                    |                          |          |
| At beginning of year                                | -                     | (20 474)             | (1 559)                            | (426)              | (118)                    | (22 577) |
| Exchange adjustments                                | -                     | 675                  | (306)                              | (167)              | (388)                    | (186)    |
| Reclassifications                                   | -                     | (2 040)              | 342                                | -                  | (1 813)                  | (3 511)  |
| Disposals                                           | -                     | 444                  | 341                                | -                  | 1 509                    | 2 294    |
| Amortisation                                        | -                     | (10 045)             | (518)                              | (161)              | (722)                    | (11 446) |
| At end of year                                      | -                     | (31 440)             | (1 700)                            | (754)              | (1 532)                  | (35 426) |
| <b>Net carrying value</b>                           | -                     | 13 208               | 597                                | 6 125              | 14 472                   | 34 402   |
| <b>2008</b>                                         |                       |                      |                                    |                    |                          |          |
| <b>Cost</b>                                         |                       |                      |                                    |                    |                          |          |
| At beginning of year                                | 15 363                | 24 643               | 2 409                              | 5 109              | 5 685                    | 53 209   |
| Exchange adjustments                                | (135)                 | (924)                | (436)                              | (94)               | (105)                    | (1 694)  |
| Reclassifications                                   | -                     | -                    | -                                  | 4 256              | (3 709)                  | 547      |
| Acquisition of subsidiary                           | -                     | 3 062                | -                                  | -                  | 1 237                    | 4 299    |
| Additions                                           | -                     | 9 628                | 1 354                              | 2 192              | -                        | 13 174   |
| Disposals                                           | (15 228)              | (224)                | -                                  | -                  | -                        | (15 452) |
| At end of year                                      | -                     | 36 185               | 3 327                              | 11 463             | 3 108                    | 54 083   |
| <b>Accumulated amortisation and<br/>impairments</b> |                       |                      |                                    |                    |                          |          |
| At beginning of year                                | (1 728)               | (14 278)             | (914)                              | (222)              | (238)                    | (17 380) |
| Exchange adjustments                                | 27                    | 1 024                | (294)                              | 5                  | 6                        | 768      |
| Reclassifications                                   | -                     | -                    | -                                  | 221                | 380                      | 601      |
| Disposals                                           | 1 701                 | 216                  | 75                                 | -                  | -                        | 1 992    |
| Amortisation                                        | -                     | (7 436)              | (426)                              | (430)              | (266)                    | (8 558)  |
| At end of year                                      | -                     | (20 474)             | (1 559)                            | (426)              | (118)                    | (22 577) |
| <b>Net carrying value</b>                           | -                     | 15 711               | 1 768                              | 11 037             | 2 990                    | 31 506   |

# Notes to the financial statements

## 31 Acquisitions and disposals

2009

There were no acquisitions of group companies in the current financial year

The Private Banking division in South Africa disposed of its short-term insurance business on 1 December 2008, with a net profit of £721 000 realised on sale

2008

The group made the following acquisitions of subsidiary undertakings in the prior year which were accounted for on an acquisition basis

- i On 8 August 2007 Investec plc issued 36 824 432 ordinary shares at a value of 587 5 pence each as consideration for the acquisition of the entire issued share capital of Kensington Group plc ("Kensington")

The acquisition was carried out by way of a scheme of arrangement under section 425 of the Companies Act under which each Kensington shareholder received 0.7 Investec shares plus a special dividend of 26 pence (paid by Kensington) for each Kensington share. In the period 8 August 2007 to 31 March 2008, Kensington made a profit before taxation of £24.3 million

The assets and liabilities at the date of acquisition, goodwill arising on the transaction and total consideration paid are disclosed in the table below

| £'000                                      | Book value<br>at date of<br>acquisition | Fair value<br>adjustment | Fair values at<br>date of<br>acquisition |
|--------------------------------------------|-----------------------------------------|--------------------------|------------------------------------------|
| Loans and advances to banks                | 109 000                                 | -                        | 109 000                                  |
| Investment securities                      | 15 200                                  | (13 100)                 | 2 100                                    |
| Derivative financial instruments           | 22 500                                  | -                        | 22 500                                   |
| Loans and advances to customers            | 1 329 400                               | -                        | 1 329 400                                |
| Securitised assets                         | 6 152 700                               | (17 000)                 | 6 135 700                                |
| Deferred taxation assets                   | 1 000                                   | 4 800                    | 5 800                                    |
| Other assets                               | 17 500                                  | -                        | 17 500                                   |
| Property and equipment                     | 3 400                                   | (300)                    | 3 100                                    |
| Intangible assets                          | 4 500                                   | (400)                    | 4 100                                    |
| <b>Total assets</b>                        | <b>7 655 200</b>                        | <b>(26 000)</b>          | <b>7 629 200</b>                         |
| Deposits by banks (warehouse loans)        | 1 541 500                               | -                        | 1 541 500                                |
| Derivative financial instruments           | 93 800                                  | -                        | 93 800                                   |
| Liabilities arising on securitisation      | 5 681 400                               | -                        | 5 681 400                                |
| Current taxation liabilities               | 100                                     | -                        | 100                                      |
| Deferred taxation liabilities              | 1 400                                   | 200                      | 1 600                                    |
| Other liabilities                          | 58 600                                  | 7 566                    | 66 166                                   |
| Subordinated liabilities                   | 130 600                                 | -                        | 130 600                                  |
| Minority interests                         | 100                                     | -                        | 100                                      |
| <b>Total liabilities and minorities</b>    | <b>7 507 500</b>                        | <b>7 766</b>             | <b>7 515 266</b>                         |
| <b>Net assets/fair value of net assets</b> | <b>147 700</b>                          | <b>(33 766)</b>          | <b>113 934</b>                           |
| Goodwill                                   |                                         |                          | 121 066                                  |
| <b>Fair value of consideration</b>         |                                         |                          | <b>235 000</b>                           |
| Shares issued                              |                                         |                          | 216 344                                  |
| Acquisition costs                          |                                         |                          | 4 956                                    |
| Special dividend                           |                                         |                          | 13 700                                   |

- ii On 1 October 2007, Investec Bank (Australia) Limited acquired 100% of the voting shares of Experien Pty Limited, an unlisted company based in Australia specialising in finance to healthcare and accounting professionals

The loss for the period 1 October 2007 to 31 March 2008 included in the group's consolidated results was AUD 0.7 million. For the year ended 31 March 2008 the Experien Group's loss was AUD 1.1 million. The total cost of the combination was AUD 31.7 million and comprised of the payment of cash of AUD 3.2 million, future earn-out payments of AUD 8.1 million and the reclassification of an option already held.

The contingent consideration comprises the present value of future payments to be made to the previous owners of the business if certain annual and cumulative loan book margin and profit targets are achieved. The earn-out is payable in instalments over a three year period.

Goodwill represents the difference between the net fair value of assets and liabilities acquired and the present value of the estimated purchase consideration.

## Notes to the financial statements

### 31 Acquisitions and disposals (continued)

Assets and liabilities at the date of acquisition and total consideration paid are set out in the table below

| £'000                                          | Book value<br>at date of<br>acquisition | Fair value<br>adjustment | Fair values at<br>date of<br>acquisition |
|------------------------------------------------|-----------------------------------------|--------------------------|------------------------------------------|
| Loans and advances to banks                    | 14 360                                  | -                        | 14 360                                   |
| Loans and advances to customers                | 32 888                                  | -                        | 32 888                                   |
| Securitised assets                             | 270 645                                 | (2 141)                  | 268 504                                  |
| Deferred taxation assets                       | 749                                     | 3 486                    | 4 235                                    |
| Other assets                                   | 2 106                                   | -                        | 2 106                                    |
| Property and equipment                         | 232                                     | -                        | 232                                      |
| Intangible assets                              | -                                       | 199                      | 199                                      |
| <b>Total assets</b>                            | <b>320 980</b>                          | <b>1 544</b>             | <b>322 524</b>                           |
| Liabilities arising on securitisation          | 280 163                                 | -                        | 280 163                                  |
| Other liabilities                              | 42 436                                  | -                        | 42 436                                   |
| Deferred taxation liabilities                  | 3 646                                   | -                        | 3 646                                    |
| <b>Total liabilities and minorities</b>        | <b>326 245</b>                          | <b>-</b>                 | <b>326 245</b>                           |
| <b>Fair value of net assets</b>                | <b>(5 265)</b>                          | <b>1 544</b>             | <b>(3 721)</b>                           |
| Goodwill                                       |                                         |                          | 17 484                                   |
| <b>Fair value of consideration</b>             |                                         |                          | <b>13 763</b>                            |
| In summary - total value of cash consideration |                                         |                          | 32 419                                   |

- iii The sale of the South African property fund management and property administration business to Growthpoint was approved by the Competition Tribunal of South Africa on 18 October 2007. A non-operating gain of £72.9 million (£64.3 million post taxation) was recognised on the sale of this business. Proceeds received on the sale were in the form of Growthpoint units, being a listed instrument carried at fair value through profit and loss. Fair value of the consideration received was £98.9 million.

## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                                                                                                                                          | 2009             | 2008             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>32 Long-term assurance business attributable to policyholders</b>                                                                                                                                                                                                                                                                                                                                                                          |                  |                  |
| Liabilities to customers under investment contracts                                                                                                                                                                                                                                                                                                                                                                                           | 3 358 338        | 2 878 894        |
| - Investec Employee Benefits Limited ("IEB")                                                                                                                                                                                                                                                                                                                                                                                                  | 355 236          | 402 593          |
| - Investec Assurance Limited                                                                                                                                                                                                                                                                                                                                                                                                                  | 2 997 627        | 2 460 323        |
| - Insurance liabilities, including unit -linked liabilities - IEB                                                                                                                                                                                                                                                                                                                                                                             | 5 475            | 15 978           |
| Reinsurance liabilities - IEB                                                                                                                                                                                                                                                                                                                                                                                                                 | 1 768            | 805 009          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>3 360 106</b> | <b>3 683 903</b> |
| <b>Investec Employee Benefits Limited</b>                                                                                                                                                                                                                                                                                                                                                                                                     |                  |                  |
| The assets of the long-term assurance fund attributable to policyholders are detailed below                                                                                                                                                                                                                                                                                                                                                   |                  |                  |
| Investments                                                                                                                                                                                                                                                                                                                                                                                                                                   | 349 537          | 412 535          |
| Reinsurance assets                                                                                                                                                                                                                                                                                                                                                                                                                            | 1 768            | 805 032          |
| Other assets                                                                                                                                                                                                                                                                                                                                                                                                                                  | 11 174           | 6 012            |
|                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>362 479</b>   | <b>1 223 579</b> |
| Investments above comprise                                                                                                                                                                                                                                                                                                                                                                                                                    |                  |                  |
| Interest bearing securities                                                                                                                                                                                                                                                                                                                                                                                                                   | 95 469           | 80 033           |
| Stocks, shares and unit trusts                                                                                                                                                                                                                                                                                                                                                                                                                | 201 472          | 259 953          |
| Deposits                                                                                                                                                                                                                                                                                                                                                                                                                                      | 52 596           | 72 549           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>349 537</b>   | <b>412 535</b>   |
| <b>Investec Assurance Limited</b>                                                                                                                                                                                                                                                                                                                                                                                                             |                  |                  |
| The assets of the long-term assurance fund attributable to policyholders are detailed below                                                                                                                                                                                                                                                                                                                                                   |                  |                  |
| Investments                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2 885 787        | 2 404 849        |
| Debtors and prepayments                                                                                                                                                                                                                                                                                                                                                                                                                       | 88 864           | 37 870           |
| Other assets                                                                                                                                                                                                                                                                                                                                                                                                                                  | 22 976           | 17 604           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>2 997 627</b> | <b>2 460 323</b> |
| <b>Assets of long-term assurance fund attributable to policyholders</b>                                                                                                                                                                                                                                                                                                                                                                       |                  |                  |
| Investments shown above comprise                                                                                                                                                                                                                                                                                                                                                                                                              |                  |                  |
| Interest bearing securities                                                                                                                                                                                                                                                                                                                                                                                                                   | 366 005          | 178 854          |
| Stocks, shares and unit trusts                                                                                                                                                                                                                                                                                                                                                                                                                | 1 614 742        | 1 499 661        |
| Deposits                                                                                                                                                                                                                                                                                                                                                                                                                                      | 905 040          | 726 334          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>2 885 787</b> | <b>2 404 849</b> |
| The business of Investec Assurance Limited is that of linked business with retirement funds. The retirement funds hold units in a pooled portfolio of assets via a linked policy issued by the company. The assets are beneficially held by Investec Assurance Limited. Due to the nature of a linked policy, Investec Assurance Limited's liability to the policyholders is equal to the market value of the assets underlying the policies. |                  |                  |
| <b>Long-term assurance activities linked to policyholders</b>                                                                                                                                                                                                                                                                                                                                                                                 |                  |                  |
| Income statement items related to assurance activities                                                                                                                                                                                                                                                                                                                                                                                        |                  |                  |
| Investment income on assurance activities                                                                                                                                                                                                                                                                                                                                                                                                     | 74 584           | 89 593           |
| Premiums and reinsurance recoveries in insurance contracts                                                                                                                                                                                                                                                                                                                                                                                    | 18 773           | 40 849           |
| Claims and reinsurance premiums on insurance business                                                                                                                                                                                                                                                                                                                                                                                         | (88 108)         | (120 358)        |
| Operating expenses                                                                                                                                                                                                                                                                                                                                                                                                                            | (1 688)          | (5 968)          |
| Net income before taxation                                                                                                                                                                                                                                                                                                                                                                                                                    | 3 561            | 4 116            |
| Taxation                                                                                                                                                                                                                                                                                                                                                                                                                                      | (997)            | (1 194)          |
| Net income after taxation                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>2 564</b>     | <b>2 922</b>     |
| <b>33 Other trading liabilities</b>                                                                                                                                                                                                                                                                                                                                                                                                           |                  |                  |
| Short positions                                                                                                                                                                                                                                                                                                                                                                                                                               |                  |                  |
| - Equities                                                                                                                                                                                                                                                                                                                                                                                                                                    | 46 533           | 286 000          |
| - Gilts                                                                                                                                                                                                                                                                                                                                                                                                                                       | 298 028          | 164 580          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>344 561</b>   | <b>450 580</b>   |

Financial statements (Investec plc and Investec Limited)



## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 2009             | 2008             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>34 Debt securities in issue</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                  |                  |
| Bonds and medium term notes repayable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |                  |
| Not more than three months                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | -                | 54 182           |
| Greater than one year but less than five years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 17 472           | 12 576           |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>17 472</b>    | <b>66 758</b>    |
| Other unlisted debt securities in issue repayable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                  |                  |
| Not more than three months                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 374 832          | 318 047          |
| Over three months but not more than one year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 76 471           | 241 498          |
| Over one year but not more than five years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 540 699          | 151 466          |
| Greater than five years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 5 397            | -                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>997 399</b>   | <b>711 011</b>   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>1 014 871</b> | <b>777 769</b>   |
| <b>35 Other liabilities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                  |                  |
| Settlement liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 512 512          | 503 716          |
| Cumulative redeemable preference shares including accrued dividends                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 269 046          | 204 582          |
| Other creditors and accruals                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 293 057          | 298 564          |
| Other non interest bearing liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 189 529          | 272 511          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <b>1 264 144</b> | <b>1 279 373</b> |
| <b>36 Pension commitments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                  |                  |
| Income statement charge                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                  |                  |
| Defined benefit obligations net income included in net interest income                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | (169)            | (853)            |
| Cost of defined contribution schemes included in administration expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 20 590           | 17 791           |
| Net income statement charge in respect of pensions                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>20 421</b>    | <b>16 938</b>    |
| <p>The group operates pension schemes throughout its areas of operation. The majority of the schemes are defined contribution schemes, with the exception of two schemes in the United Kingdom being, the Guinness Mahon Pension Fund Scheme ("GM Scheme") and the Investec Asset Management Pension scheme ("IAM Scheme"). Both schemes are final salary pension plans with assets held in separate trustee administered funds. The schemes are closed to new members and the accrual of service ceased on 31 March 2002. The schemes have been valued at 31 March 2009 by qualified independent actuaries in accordance with IAS 19. There were no unpaid contributions, in relation to the defined contribution schemes, outstanding at the year end.</p> |                  |                  |
| <p>The major assumptions used were</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                  |                  |
| - Discount rate                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 6.80%            | 6.70%            |
| - Rate of increase in salaries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 3.30%            | 3.50%            |
| - Rate of increase in pensions in payment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 3.20%            | 3.30%            |
| - Inflation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 3.30%            | 3.50%            |
| <p><b>Demographic assumptions</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                  |                  |
| <p>One of the most significant demographic assumptions underlying the valuation is mortality. The specific mortality rates used are based on the PMA92 and PFA92 base tables with allowance for future improvements in line with the medium cohort projection, subject to a 1% underpin. The life expectancies underlying the valuation are as follows:</p>                                                                                                                                                                                                                                                                                                                                                                                                  |                  |                  |
| - Male aged 65                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 88               | 88               |
| - Female aged 65                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 91               | 91               |
| - Male aged 45                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 90               | 90               |
| - Female aged 45                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 93               | 93               |

## Notes to the financial statements

### 36 Pension commitments (continued)

The assets held in the schemes and the expected rates of return were

| At 31 March                         | Value at<br>2009<br>£'000 | Long-term<br>rate of return<br>expected | Value at<br>2008<br>£'000 | Long-term<br>rate of return<br>expected |
|-------------------------------------|---------------------------|-----------------------------------------|---------------------------|-----------------------------------------|
| <b>GM Scheme</b>                    |                           |                                         |                           |                                         |
| Equities                            | 26 660                    | 8.00%                                   | 34 720                    | 7.50%                                   |
| Gilts                               | 60 696                    | 4.20%                                   | 60 121                    | 4.50%                                   |
| Cash                                | 2 556                     | 4.20%                                   | 3 109                     | 5.25%                                   |
| <b>Total market value of assets</b> | <b>89 912</b>             |                                         | <b>97 950</b>             |                                         |
| <b>IAM Scheme</b>                   |                           |                                         |                           |                                         |
| Equities                            | 5 377                     | 8.00%                                   | 6 486                     | 7.50%                                   |
| Gilts                               | 1 764                     | 4.20%                                   | 2 947                     | 4.50%                                   |
| Cash                                | 554                       | 4.20%                                   | 336                       | 5.25%                                   |
| <b>Total market value of assets</b> | <b>7 695</b>              |                                         | <b>9 769</b>              |                                         |

| At 31 March<br>£'000                                                       | GM             | 2009<br>IAM    | Total          | GM            | 2008<br>IAM  | Total         |
|----------------------------------------------------------------------------|----------------|----------------|----------------|---------------|--------------|---------------|
| Recognised in the balance sheet                                            |                |                |                |               |              |               |
| Fair value of fund assets                                                  | 89 912         | 7 695          | 97 607         | 97 950        | 9 769        | 107 719       |
| Present value of obligations                                               | (79 586)       | (8 907)        | (88 493)       | (80 319)      | (9 144)      | (89 463)      |
| <b>Net asset/(liability)</b>                                               | <b>10 326</b>  | <b>(1 212)</b> | <b>9 114</b>   | <b>17 631</b> | <b>625</b>   | <b>18 256</b> |
| Amounts in balance sheet                                                   |                |                |                |               |              |               |
| Assets                                                                     | 10 326         | -              | 10 326         | 17 631        | 625          | 18 256        |
| Liability                                                                  | -              | (1 212)        | (1 212)        | -             | -            | -             |
| <b>Net asset/(liability)</b>                                               | <b>10 326</b>  | <b>(1 212)</b> | <b>9 114</b>   | <b>17 631</b> | <b>625</b>   | <b>18 256</b> |
| Recognised in the income statement                                         |                |                |                |               |              |               |
| Expected return on pension scheme assets                                   | 5 455          | 606            | 6 061          | 5 582         | 682          | 6 264         |
| Interest on pension obligations                                            | (5 244)        | (648)          | (5 892)        | (4 814)       | (597)        | (5 411)       |
| <b>Net return</b>                                                          | <b>211</b>     | <b>(42)</b>    | <b>169</b>     | <b>768</b>    | <b>85</b>    | <b>853</b>    |
| Recognised in the statement of recognised income and expense               |                |                |                |               |              |               |
| Actuarial losses on plan assets                                            | (12 838)       | (2 953)        | (15 791)       | (2 410)       | (950)        | (3 360)       |
| Actuarial gains                                                            | 1 770          | 518            | 2 288          | 11 543        | 2 399        | 13 942        |
| Actuarial (loss)/gain                                                      | (11 068)       | (2 435)        | (13 503)       | 9 133         | 1 449        | 10 582        |
| Deferred taxation                                                          | 3 099          | 682            | 3 781          | (2 557)       | (406)        | (2 963)       |
| <b>Actuarial (loss)/gain in statement of recognised income and expense</b> | <b>(7 969)</b> | <b>(1 753)</b> | <b>(9 722)</b> | <b>6 576</b>  | <b>1 043</b> | <b>7 619</b>  |
| Actual return/(deficit) on plan assets                                     | (7 383)        | (2 305)        | (9 688)        | 3 172         | (268)        | 2 904         |

The cumulative amount of net actuarial losses recognised in the statement of recognised income and expense is £16.0 million (£11.3 million net of deferred taxation) [2008: £2.5 million (£1.6 million net of deferred taxation)]



## Notes to the financial statements

### 36 Pension commitments (continued)

| £'000                                                           | GM       | IAM     | Total    |
|-----------------------------------------------------------------|----------|---------|----------|
| <b>Changes in the fair value of defined benefit obligations</b> |          |         |          |
| Defined benefit obligation at 31 March 2007                     | 91 178   | 11 155  | 102 333  |
| Interest cost                                                   | 4 814    | 597     | 5 411    |
| Actuarial gains                                                 | (11 543) | (2 399) | (13 942) |
| Benefits paid                                                   | (4 130)  | (209)   | (4 339)  |
| Opening defined benefit obligation at 31 March 2008             | 80 319   | 9 144   | 89 463   |
| Interest cost                                                   | 5 244    | 606     | 5 850    |
| Actuarial gains                                                 | (1 770)  | (518)   | (2 288)  |
| Benefits paid                                                   | (4 207)  | (325)   | (4 532)  |
| Closing defined benefit obligation at 31 March 2009             | 79 586   | 8 907   | 88 493   |
| <b>Changes in the fair value of plan assets</b>                 |          |         |          |
| Assets at 31 March 2007                                         | 95 356   | 9 688   | 105 044  |
| Expected return                                                 | 5 582    | 682     | 6 264    |
| Actuarial losses                                                | (2 410)  | (950)   | (3 360)  |
| Contributions by the employer                                   | 3 552    | 558     | 4 110    |
| Benefits paid                                                   | (4 130)  | (209)   | (4 339)  |
| Opening defined benefit obligation at 31 March 2008             | 97 950   | 9 769   | 107 719  |
| Expected return                                                 | 5 455    | 648     | 6 103    |
| Actuarial losses                                                | (12 838) | (2 953) | (15 791) |
| Contributions by the employer                                   | 3 552    | 556     | 4 108    |
| Benefits paid                                                   | (4 207)  | (325)   | (4 532)  |
| Closing fair value of plan assets at 31 March 2009              | 89 912   | 7 695   | 97 607   |

The group expects to make £4.1 million of contributions to the defined benefit schemes in 2010

| 31 March<br>£'000                             | 2009     | 2008     | 2007     | 2006     | 2005     |
|-----------------------------------------------|----------|----------|----------|----------|----------|
| <b>History of experience gains and losses</b> |          |          |          |          |          |
| <b>GM Scheme</b>                              |          |          |          |          |          |
| Defined benefit obligation                    | (79 586) | (80 319) | (91 178) | (89 927) | (82 871) |
| Plan assets                                   | 89 912   | 97 950   | 95 356   | 93 175   | 74 447   |
| Surplus/(deficit)                             | 10 326   | 17 631   | 4 178    | 3 248    | (8 424)  |
| Experience adjustments on plan liabilities    | 1 770    | 11 543   | (165)    | (5 765)  | 1 731    |
| Experience adjustments on plan assets         | (12 838) | (2 410)  | (3 315)  | 8 125    | 1 905    |
| <b>IAM Scheme</b>                             |          |          |          |          |          |
| Defined benefit obligation                    | (8 907)  | (9 144)  | (11 155) | (11 019) | (9 857)  |
| Plan assets                                   | 7 695    | 9 769    | 9 688    | 9 006    | 7 290    |
| Surplus/(deficit)                             | (1 212)  | 625      | (1 467)  | (2 013)  | 2 567    |
| Experience adjustments on plan liabilities    | 518      | 2 399    | 206      | (630)    | (442)    |
| Experience adjustments on plan assets         | (2 953)  | (950)    | (254)    | 1 177    | 192      |

## Notes to the financial statements

| At 31 March<br>£'000                                                                                        | 2009             | 2008             |
|-------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>37 Subordinated liabilities</b>                                                                          |                  |                  |
| Issued by Investec Finance plc                                                                              |                  |                  |
| - a wholly owned subsidiary of Investec Bank plc which is a wholly owned subsidiary of Investec plc         |                  |                  |
| Guaranteed subordinated step-up notes                                                                       | 212 063          | 200 865          |
| Guaranteed undated subordinated callable step-up notes                                                      | 391 195          | 356 728          |
| Issued by Investec Bank plc                                                                                 |                  |                  |
| Zero coupon bonds                                                                                           | 10 241           | 18 087           |
| Issued by Investec Australia Limited                                                                        |                  |                  |
| Guaranteed subordinated medium term notes                                                                   | 48 887           | 45 748           |
| Issued by Global Ethanol Holdings Limited                                                                   |                  |                  |
| Subordinated loan notes                                                                                     | 13 882           | 12 473           |
| Issued by Kensington Group plc                                                                              |                  |                  |
| Callable subordinated notes                                                                                 | 90 046           | 127 230          |
| Issued by Investec Bank Limited                                                                             |                  |                  |
| - a wholly owned subsidiary of Investec Limited                                                             |                  |                  |
| Unsecured subordinated compulsorily convertible debentures (CCD's)                                          | -                | 14 056           |
| IV01 16% subordinated unsecured bonds                                                                       | 13 296           | 11 132           |
| IV03 16% subordinated unsecured bonds                                                                       | 111 086          | 93 269           |
| IV04 10 75% subordinated unsecured callable bonds                                                           | 151 896          | 127 533          |
| IV07 variable rate subordinated unsecured callable bonds                                                    | 69 318           | 58 200           |
| IV08 13 735% subordinated unsecured callable bonds                                                          | 14 733           | -                |
| IV09 variable rate subordinated unsecured callable bonds                                                    | 14 733           | -                |
|                                                                                                             | <b>1 141 376</b> | <b>1 065 321</b> |
| All subordinated debt issued by Investec Limited and its subsidiaries are denominated in South African Rand |                  |                  |
| Remaining maturity                                                                                          |                  |                  |
| In one year or less, or on demand                                                                           | 10 279           | 22 557           |
| In more than one year, but not more than two years                                                          | 260 950          | 9 586            |
| In more than two years, but not more than five years                                                        | 277 820          | 270 218          |
| In more than five years                                                                                     | 592 327          | 762 960          |
|                                                                                                             | <b>1 141 376</b> | <b>1 065 321</b> |

The only event of default in relation to the subordinated debt is the non-payment of principal or interest. The only remedy available to the holders of the subordinated debt in the event of default is to petition for the winding up of the company. In a winding up no amount will be paid in respect of the subordinated debt until all other creditors have been paid in full.

The compulsorily convertible debentures issued by Investec Bank Limited were split at issue into their debt and equity components. The equity components were sold to employee share trusts. The debt components were sold to third parties, represented by the amounts above.

### Guaranteed subordinated step-up notes

On 1 March 2004 Investec Finance plc issued £200 000 000 of 7.75% guaranteed subordinated step-up notes due 2016 at a discount. Interest is paid annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 1 March 2011, subject to the prior consent of the Financial Services Authority. On 1 March 2011 the interest rate will be reset to become the aggregate of 3.5% and the gross redemption yield of the relevant benchmark gilt.



# Notes to the financial statements

## 37 Subordinated liabilities (continued)

### Guaranteed undated subordinated callable step-up notes

On 23 January 2007 Investec Finance plc issued £350 000 000 of 6.25% guaranteed undated subordinated step-up notes callable 2017 at a discount. Interest is paid semi-annually. The notes are guaranteed by Investec Bank plc and are listed on the Luxembourg Stock Exchange. The step-up notes may be redeemed by the issuer, at par, at any time after 23 January 2017 subject to the prior consent of the Financial Services Authority. On 23 January 2017 the interest rate will be reset to become three month LIBOR plus 2.11% payable quarterly in arrears.

### Zero coupon bonds

On 16 November 2004 Investec Bank plc issued 10 434 zero coupon bonds of £1 000 each at an effective yield of 6.948%. The bonds mature on the 16 November 2009.

As a result of the acquisition of NM Rothschild in July 2006, Investec Bank (Australia) Limited has the following subordinated debt instruments in issue:

### Guaranteed subordinated medium term notes

AUD53 500 000 of floating rate medium term notes (MTN) issued on 3 December 2004 at 3 month Bank Bills Swap Rate (BBSW) plus 1.05%. The maturity date is 3 December 2014. Interest is payable quarterly up to and excluding the early redemption date 3 December 2009. After this date, if the issuer's call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears. AUD21 500 000 of fixed rate MTN at 6.75% issued on 3 December 2004. The maturity date is 3 December 2014. Interest is payable semi-annually up to and excluding the early redemption date 3 December 2009. After this date, if the issuer's call is not exercised, the MTN will convert to floating rate and the interest will be the aggregate of 3 month BBSW plus 1.55% payable quarterly in arrears.

AUD25 000 000 of floating rate MTN issued on 10 August 2005 at 3 month BBSW plus 0.90 per cent. The maturity date is 10 August 2015. Interest is payable quarterly up to and excluding the early redemption date 10 August 2010. After this date, if the issuer's call is not exercised, the interest will be the aggregate of 3 month BBSW plus 1.40% payable quarterly in arrears.

### Subordinated loan notes

Global Ethanol Holdings Limited has issued loan notes which are redeemable on a date determined by the board of the company at its absolute discretion. The loan notes will be redeemed on the earlier of (i) the sale of all or substantially all of the business or assets of the company and its subsidiaries, (ii) the quotation of the company's shares on the Australian Stock Exchange or other stock exchange, (iii) a date on which 50% or more of the shares on issue are sold to any one party, or (iv) on 31 December 2011, the redemption date.

The shareholders may agree with the company the interest (if any) which will accrue on the loan notes. They are currently non interest bearing.

### Callable subordinated notes

On 21 November 2005 Kensington Group plc issued £75 000 000 of 9% callable subordinated notes due 2015. Interest is payable at the rate of 9%, annually in arrears, up to but excluding 21 December 2010. From and including 21 December 2010, interest on the notes is payable at the Reset Rate annually in arrears. The issuer may, at its option, redeem all but not some only, of the notes on 21 December 2010 at par. Also, the issuer may, at its option, redeem all, but not some only, of the notes at any time at par plus accrued interest, in the event of certain taxation changes. The notes mature on 21 December 2015. On 31 August 2006 Kensington Group plc issued £50 000 000 of 9% callable subordinated notes due 2015 (to be consolidated and form a single series, and to be fungible, with the £75 000 000 9.00 per cent callable subordinated notes due 2015 issued on 21 November 2005).

### Unsecured subordinated CCDs

The CCDs converted into Investec Bank Limited ordinary shares, on a one for one basis, on 31 July 2008. The Investec Bank Limited shares arising out of the conversion have been sold forward by the holder thereof to Investec Limited in exchange for 17 869 970 Investec Limited ordinary shares.

### IV01 16% subordinated unsecured bonds

R180 million (2008: R180 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2012. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum. The settlement date of the bonds is 31 March 2012.

### IV03 16% subordinated unsecured bonds

R1 508 million (2008: R1 508 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2017. Interest is paid six monthly in arrears on 31 March and 30 September at a rate of 16% per annum until 31 March 2012, whereafter the interest rate will change to a floating rate of 3-month JIBAR plus 200 basis points until maturity. The settlement date of the bonds is 31 March 2017.

## Notes to the financial statements

### 37 Subordinated liabilities (continued)

#### IV04 10 75% subordinated unsecured callable bonds

R2 026 million (2008 R2 026 million) Investec Bank Limited local registered unsecured subordinated bonds due in 2018. Interest is paid six monthly in arrears on 30 September and 31 March at a rate of 10 75% per annum until 31 March 2013. The settlement date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a floating rate of 3-month JIBAR plus 200 basis points payable quarterly in arrears until maturity.

#### IV07 variable rate subordinated unsecured callable bonds

R941 million (2008 R941 million) Investec Bank Limited local registered unsecured subordinated callable bonds due in 2018. Interest is paid at 3-month JIBAR plus 140 basis points until 31 March 2013. Interest is payable quarterly in arrears. The maturity date is 31 March 2018, but the company has the option to call the bonds from 31 March 2013. If not called, the bonds will switch to a 3-month JIBAR plus 200 basis points.

#### IV08 13 735% subordinated unsecured callable bonds

R200 million (2008 nil) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid six monthly in arrears on 31 October and 30 April at a rate of 13 735% per annum until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will switch to a floating rate of 3-month JIBAR plus 562 5 basis points payable quarterly in arrears until called.

#### IV09 variable rate subordinated unsecured callable bonds

R200 million (2008 nil) Investec Bank Limited local registered unsecured subordinated bonds without a maturity date. Interest is paid quarterly in arrears on 31 July, 31 October, 31 January and 30 April at a rate equal to JIBAR plus 375 basis points until 30 April 2018. The company has the option to call the bonds from 30 April 2013 or on any interest payment date falling after 30 April 2018. If not called by 30 April 2018, the bonds will pay interest of 562 5 basis points above JIBAR payable quarterly in arrears until called.

### 38 Share capital

| At 31 March                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 2009          | 2008          |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Investec plc</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |               |               |
| <b>Authorised</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |               |               |
| The authorised share capital of Investec plc is £1 182 000 (2008 £1 177 500) comprising 560 000 000 (2008 560 000 000) ordinary shares of £0 0002 each, 300 000 000 (2008 277 500 000) special converting shares of £0 0002 each, 1 (2008 1) special voting share of £0 001 each, 1 (2008 1) UK DAN share of £0 001 each, 1 (2008 1) UK DAS share of £0 001 each, 1 000 000 (2008 1 000 000) non-cumulative perpetual preference shares of £0 01 each, 100 000 000 (2005 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of £0 01 each. |               |               |
| During the year the authorised share capital was increased by £4 500 by the creation of 2 250 000 special converting shares of £0 0002 each.                                                                                                                                                                                                                                                                                                                                                                                                                             |               |               |
| Issued, allotted and fully paid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |               |               |
| <b>Number of ordinary shares</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>Number</b> | <b>Number</b> |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 423 319 499   | 381 613 207   |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 21 617 739    | 41 706 292    |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 444 937 238   | 423 319 499   |
| <b>Nominal value of ordinary shares</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>£'000</b>  | <b>£'000</b>  |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 85            | 76            |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 4             | 8             |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 89            | 84            |
| <b>Number of special converting shares</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <b>Number</b> | <b>Number</b> |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 234 311 314   | 227 671 420   |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 34 023 943    | 6 639 894     |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 268 335 257   | 234 311 314   |
| <b>Nominal value of special converting shares</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <b>£'000</b>  | <b>£'000</b>  |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 47            | 46            |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 7             | 1             |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 54            | 47            |
| <b>Number of UK DAN shares</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Number</b> | <b>Number</b> |
| At beginning of year and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 1             | 1             |

## Notes to the financial statements

| At 31 March                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 2009        | 2008        |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>38 Share capital (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |             |             |
| Nominal value of UK DAN share<br>At beginning and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | £'000 .     | £'000 .     |
| Number of UK DAS shares<br>At beginning and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number 1    | Number 1    |
| Nominal value of UK DAS share<br>At beginning and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | £'000 .     | £'000 .     |
| Number of special voting shares<br>At beginning and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Number 1    | Number 1    |
| Nominal value of special voting share<br>At beginning and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | £'000 .     | £'000 .     |
| * Less than £1 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |             |             |
| Investec Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |             |             |
| Authorised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |             |             |
| <p>The authorised share capital of Investec Limited is South African Rand 1 210 002 (2008 R1 205 502), comprising 300 000 000 (2008 277 500 000) ordinary shares of South African Rand 0 0002 each, 40 000 000 (2008 40 000 000) class 'A' variable rate compulsorily convertible non-cumulative preference shares of South African Rand 0 0002 each, 50 000 (2008 50 000) variable rate cumulative redeemable preference shares of South African Rand 0 60 each, 100 000 000 (2008 100 000 000) non-redeemable non-cumulative non-participating preference shares of R0 01 each, 1 (2008 1) dividend access (South African Resident) redeemable preference share of 1 South African Rand, 1 (2008 1) dividend access (non-South African resident) redeemable preference share of 1 South African Rand, 560 000 000 (2008 560 000 000) special convertible redeemable preference shares of South African Rand 0 0002 each (special converting shares)</p> |             |             |
| Issued, allotted and fully paid                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |             |             |
| Number of ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Number      | Number      |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 234 311 314 | 227 671 420 |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 34 023 943  | 6 639 894   |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 268 335 257 | 234 311 314 |
| Nominal value of ordinary shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | £'000       | £'000       |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 46          | 46          |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | .           | .           |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 46          | 46          |
| Number of special converting shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Number      | Number      |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 423 319 499 | 381 613 207 |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 21 617 739  | 41 706 292  |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 444 937 238 | 423 319 499 |
| Nominal value of special converting shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | £'000       | £'000       |
| At beginning of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 5           | 5           |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | .           | .           |
| At end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 5           | 5           |
| Number of SA DAN shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number      | Number      |
| At beginning of year and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1           | 1           |
| Nominal value of SA DAN shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | £'000 .     | £'000 .     |
| At beginning of year and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |             |             |
| Number of SA DAS shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Number      | Number      |
| At beginning of year and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 1           | 1           |
| Nominal value of SA DAS shares                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | £'000 .     | £'000 .     |
| At beginning of year and end of year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |             |             |
| * Less than £1 000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |             |             |

## Notes to the financial statements

| At 31 March                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 2009           | 2008           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>38 Share capital (continued)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                |                |
| Nominal value of issued, allotted and fully paid called up share capital of Investec plc and Investec Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | £'000          | £'000          |
| Total called up share capital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 194            | 181            |
| Less held by Investec Limited                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | -              | -              |
| Less held by Investec plc                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (4)            | (4)            |
| Total called up share capital                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 190            | 177            |
| <p>The Investec Limited shares were issued in South African Rands. The amounts recorded above were calculated by reference to historic Sterling/Rand exchange rates.</p> <p>In terms of the Dual Listed Companies Structure, shareholders have common economic and voting rights as if Investec Limited and Investec plc were a single company. These include equivalent dividends on a per share basis, joint electorate and class right variations.</p> <p>The UK DAS share, UK DAN share, SA DAS share, the SA DAN share and the special converting shares have been issued to achieve this.</p> <p>The unissued shares are under the control of the directors until the next Annual General Meeting.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |                |
| <b>Staff share scheme</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                |                |
| <p>The group operates a share option and a share purchase scheme for employees. The number of ordinary shares conditionally allocated to employees are disclosed in note 7.</p> <p>Movements in the number of share options issued to (each option is in respect of one share) employees are as follows:</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                |                |
| For the year to 31 March                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Number<br>2009 | Number<br>2008 |
| Outstanding at 1 April                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 57 222 077     | 59 572 252     |
| Issued during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 11 745 481     | 14 891 449     |
| Exercised                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (4 283 218)    | (13 223 813)   |
| Lapsed                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | (2 395 147)    | (4 017 811)    |
| Outstanding at 31 March                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 62 289 193     | 57 222 077     |
| <p>The purpose of the staff share scheme is to promote an "esprit de corps" within the organisation, create an awareness of Investec's performance and provide an incentive to maximise individual and group performance by allowing all staff to share in the risks and rewards of the group.</p> <p>The group makes awards available to staff members via the underlying share trusts. The particular instrument used varies from time to time depending on taxation legislation and factors affecting the group structure.</p> <p>Nevertheless, whatever the instrument chosen, its underlying value depends solely on the performance of the group's share price.</p> <p>At present, the practice of the group is to give all permanent staff members a share allocation based on their annual package after completing six months of employment. In line with the objective of providing a long-term incentive for staff, these share awards vest over periods varying from five to eight years.</p> <p>After the initial allocation referred to above, additional allocations are made to staff members at the discretion of group management and depending on the individual performance, and contribution made by, the respective staff members.</p> <p>The extent of the director's and staff interest in the incentive schemes is detailed on page 201.</p> |                |                |



## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                                                                                                                                                                | 2009           | 2008           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>39 Perpetual preference shares of holding company</b>                                                                                                                                                                                                                                                                                                                                                                                                            |                |                |
| Perpetual preference share capital                                                                                                                                                                                                                                                                                                                                                                                                                                  | 151            | 151            |
| Perpetual preference share premium (refer to note 40)                                                                                                                                                                                                                                                                                                                                                                                                               | 299 458        | 272 184        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>299 609</b> | <b>272 335</b> |
| <b>Authorised</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                |                |
| 100 000 000 (2008 100 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each                                                                                                                                                                                                                                                                                                                                                 |                |                |
| <b>Issued by Investec plc</b>                                                                                                                                                                                                                                                                                                                                                                                                                                       |                |                |
| 9 381 149 (2008 9 381 149) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each issued at a premium of £8.58 per share                                                                                                                                                                                                                                                                                                                 |                |                |
| - Preference share capital                                                                                                                                                                                                                                                                                                                                                                                                                                          | 94             | 94             |
| - Preference share premium                                                                                                                                                                                                                                                                                                                                                                                                                                          | 79 490         | 79 490         |
| 5 700 000 (2008 5 700 000) non-redeemable, non-cumulative, non-participating preference shares of £0.01 each, issued at a premium of £8.86 per share                                                                                                                                                                                                                                                                                                                |                |                |
| - Preference share capital                                                                                                                                                                                                                                                                                                                                                                                                                                          | 57             | 57             |
| - Preference share premium                                                                                                                                                                                                                                                                                                                                                                                                                                          | 49 917         | 49 917         |
| Perpetual preference shareholders will receive an annual dividend if declared based on the coupon rate (being equivalent to the base rate plus 1%) multiplied by the deemed value, on a daily basis and payable in two semi-annual instalments                                                                                                                                                                                                                      |                |                |
| An ordinary dividend will not be declared by Investec plc unless the perpetual preference dividend has been declared                                                                                                                                                                                                                                                                                                                                                |                |                |
| If declared perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec plc pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively                                                                                                                                                                                    |                |                |
| <b>Issued by Investec Limited</b>                                                                                                                                                                                                                                                                                                                                                                                                                                   |                |                |
| 22 182 000 (2008 22 182 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R104.49 per share                                                                                                                                                                                                                                                                                                         |                |                |
| - Preference share capital                                                                                                                                                                                                                                                                                                                                                                                                                                          | *              | *              |
| - Preference share premium                                                                                                                                                                                                                                                                                                                                                                                                                                          | 170 051        | 142 777        |
| Perpetual preference shareholders will be entitled to receive dividends if declared, at a rate of 70% of the prime interest rate on R100 being the deemed value of the issue price of the perpetual preference share held. Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or par passu with the perpetual preference shares |                |                |
| An ordinary dividend will not be declared by Investec Limited unless the perpetual preference dividend has been declared                                                                                                                                                                                                                                                                                                                                            |                |                |
| If declared perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively                                                                                                                                                                                |                |                |
| * Less than £1 000                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                |                |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | <b>299 609</b> | <b>272 335</b> |

## Notes to the financial statements

| At 31 March                                                               | 2009              | 2008              |
|---------------------------------------------------------------------------|-------------------|-------------------|
| <b>40 Share premium</b>                                                   |                   |                   |
|                                                                           | £'000             | £'000             |
| Share premium account Investec plc                                        | 721 400           | 671 646           |
| Share premium account Investec Limited                                    | 748 182           | 688 804           |
| Perpetual preference share premium                                        | 299 458           | 272 184           |
|                                                                           | <b>1 769 040</b>  | <b>1 632 634</b>  |
| <b>41 Treasury shares</b>                                                 |                   |                   |
|                                                                           | £'000             | £'000             |
| Treasury shares held by subsidiaries of Investec Limited and Investec plc |                   |                   |
| Investec plc ordinary shares                                              | 34 118            | 12 041            |
| Investec Limited ordinary shares                                          | 138 624           | 102 082           |
| Options held to acquire Investec plc and Investec Limited shares          | 328               | 781               |
|                                                                           | <b>173 068</b>    | <b>114 904</b>    |
|                                                                           | Number            | Number            |
| Investec plc ordinary shares held by subsidiaries                         | 22 706 079        | 2 112 368         |
| Investec Limited ordinary shares held by subsidiaries                     | 43 840 281        | 28 413 734        |
| Investec plc and Investec Limited shares held by subsidiaries             | <b>66 546 360</b> | <b>30 526 102</b> |
| Reconciliation of treasury shares                                         | Number            | Number            |
| At beginning of year                                                      | 30 526 102        | 30 489 486        |
| Purchase of own shares by subsidiary companies                            | 59 071 490        | 11 521 631        |
| Shares disposed of by subsidiaries                                        | (23 051 232)      | (11 485 015)      |
| At end of year                                                            | <b>66 546 360</b> | <b>30 526 102</b> |
| Market value of treasury shares                                           | £'000             | £'000             |
| Investec plc                                                              | 66 302            | 7 150             |
| Investec Limited                                                          | 125 497           | 100 915           |
|                                                                           | <b>191 799</b>    | <b>108 065</b>    |





## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2009    | 2008    |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| <b>42 Minority interests</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |         |         |
| Minority interest in partially held subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 28 502  | 47 178  |
| Perpetual preferred securities issued by subsidiaries                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 295 084 | 251 637 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 323 586 | 298 815 |
| <b>Perpetual preferred securities issued by subsidiaries</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |         |         |
| <p>Issued by Investec plc subsidiaries</p> <p>€200 000 000 (2008: €200 000 000) fixed/floating rate guaranteed non-voting non-cumulative perpetual preferred securities ("preferred securities") were issued by Investec Tier 1 (UK) LP, a limited partnership organised under the laws of England and Wales) on 24 June 2005. The preferred securities, which are guaranteed by Investec plc, are callable at the option of the issuer, subject to the approval of the Financial Services Authority, on the tenth anniversary of the issue and, if not called, are subject to a step up in coupon of one and a half times the initial credit spread above the three month euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the preferred securities will be at 7.075 per cent. The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of ordinary dividends by the company.</p> <p>Under the terms of the issue there are provisions for the preferred securities to be substituted for preference shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the regulator.</p> <p>Issued by Investec Limited subsidiaries</p> <p>15 000 000 (2008: 15 000 000) non-redeemable, non-cumulative, non-participating preference shares of one cent each, issued at a premium of R99.99 per share.</p> <p>Perpetual preference shareholders will be entitled to receive dividends at a rate of 75% of the South African prime interest rate, of the face value of the perpetual preference shares held. Perpetual preference shareholders receive dividends in priority to any payment of dividends to the holder of any other class of shares in the capital of the company not ranking prior or pari passu with the perpetual preference shares.</p> <p>An ordinary dividend will not be declared by Investec Bank Limited unless the perpetual preference dividend has been declared. If declared perpetual preference dividends are payable semi-annually at least seven business days prior to the date on which Investec Bank Limited pays its ordinary dividends, if any, but shall be payable no later than 120 business days after 31 March and 30 September respectively.</p> | 185 251 | 159 420 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 109 833 | 92 217  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 295 084 | 251 637 |

### 43 Miscellaneous balance sheet items

| At 31 March                                                                    | 2009                          |               | 2008                          |               |
|--------------------------------------------------------------------------------|-------------------------------|---------------|-------------------------------|---------------|
| Finance lease receivables included in loans and advances to customers<br>£'000 | Total future minimum payments | Present value | Total future minimum payments | Present value |
| Lease receivables due in:                                                      |                               |               |                               |               |
| Less than 1 year                                                               | 157 326                       | 124 257       | 137 386                       | 107 005       |
| 1-5 years                                                                      | 358 702                       | 307 466       | 256 947                       | 217 062       |
| Later than 5 years                                                             | 16 880                        | 13 248        | 6 977                         | 6 136         |
|                                                                                | 532 908                       | 444 971       | 401 310                       | 330 203       |
| Unearned finance income                                                        | 87 938                        |               | 71 107                        |               |

At 31 March 2009, unguaranteed residual values of £920 000 (2008: £773 000) have been recognised.

## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                                       | 2009      | 2008      |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------|
| <b>44 Cash flow reconciliations</b>                                                                                                                                                                                                                                                                                                        |           |           |
| Reconciliation of operating profit to net operating cash flows                                                                                                                                                                                                                                                                             |           |           |
| Operating profit                                                                                                                                                                                                                                                                                                                           | 367 621   | 474 906   |
| Adjustment for non cash items included in operating profit                                                                                                                                                                                                                                                                                 |           |           |
| Goodwill income statement amount                                                                                                                                                                                                                                                                                                           | 32 467    | 62 765    |
| Depreciation and impairment of property, equipment and intangibles                                                                                                                                                                                                                                                                         | 30 102    | 24 330    |
| Impairment of loans and advances                                                                                                                                                                                                                                                                                                           | 256 173   | 114 185   |
| Operating income from associates                                                                                                                                                                                                                                                                                                           | (12 438)  | (12 138)  |
| Dividends received from associates                                                                                                                                                                                                                                                                                                         | 5 349     | 5 065     |
| Share based payment charges                                                                                                                                                                                                                                                                                                                | 47 299    | 39 182    |
| Operating profit adjusted for non cash items                                                                                                                                                                                                                                                                                               | 726 573   | 708 295   |
| <b>45 Commitments</b>                                                                                                                                                                                                                                                                                                                      |           |           |
| Undrawn facilities                                                                                                                                                                                                                                                                                                                         | 2 259 941 | 2 939 351 |
| Other commitments                                                                                                                                                                                                                                                                                                                          | 34 131    | -         |
|                                                                                                                                                                                                                                                                                                                                            | 2 294 072 | 2 939 351 |
| The group has entered into forward foreign exchange contracts and loan commitments in the normal course of its banking business for which the fair value is recorded on balance sheet                                                                                                                                                      |           |           |
| <b>Operating lease commitments</b>                                                                                                                                                                                                                                                                                                         |           |           |
| Future minimum lease payments under non-cancellable operating leases                                                                                                                                                                                                                                                                       |           |           |
| Less than 1 year                                                                                                                                                                                                                                                                                                                           | 38 703    | 31 693    |
| 1-5 years                                                                                                                                                                                                                                                                                                                                  | 131 563   | 125 834   |
| Later than 5 years                                                                                                                                                                                                                                                                                                                         | 261 542   | 182 024   |
|                                                                                                                                                                                                                                                                                                                                            | 431 808   | 339 551   |
| At 31 March 2009 Investec was obligated under a number of operating leases for properties, computer equipment and office equipment for which the future minimum lease payments extend over a number of years. The annual escalation clauses range between 8% and 13.5% percent per annum. The majority of the leases have renewal options. |           |           |
| <b>Operating lease receivables</b>                                                                                                                                                                                                                                                                                                         |           |           |
| Future minimum lease receivables under non-cancellable operating leases                                                                                                                                                                                                                                                                    |           |           |
| Less than 1 year                                                                                                                                                                                                                                                                                                                           | 8 373     | 2 044     |
| 1-5 years                                                                                                                                                                                                                                                                                                                                  | 16 684    | 3 129     |
| Later than 5 years                                                                                                                                                                                                                                                                                                                         | 958       | 92        |
|                                                                                                                                                                                                                                                                                                                                            | 26 015    | 5 265     |

Investec leases assets to third parties under operating and finance lease arrangements including transport assets, machinery and property. The term of the leases range between 3 and 5 years with no annual escalation clauses. The majority of the leases have renewal options.

| £'000                           | Carrying amount |         | Related liability |         |
|---------------------------------|-----------------|---------|-------------------|---------|
|                                 | 2009            | 2008    | 2009              | 2008    |
| <b>Pledged assets</b>           |                 |         |                   |         |
| Loans and advances to customers | 857 733         | 571 221 | 517 812           | 474 011 |
| Investment securities           | 268 824         | 109 002 | 178 674           | 103 464 |
| Trading securities              | 233 955         | 155 603 | 213 365           | 156 382 |
|                                 | 1 360 512       | 835 826 | 909 851           | 733 857 |

The assets pledged by the group are strictly for the purpose of providing collateral for the counterparty. To the extent that the counterparty is permitted to sell and/or repledge the assets, they are classified on the balance sheet as reverse repurchase agreements and cash collateral on securities borrowed.

## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | 2009           | 2008           |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>46 Contingent liabilities</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                |                |
| Guarantees and assets pledged as collateral security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                |                |
| - Guarantees and irrevocable letters of credit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 579 983        | 435 098        |
| - Assets pledged as collateral security                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | -              | 364            |
| - Other contingent liabilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | -              | 29             |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>579 983</b> | <b>435 491</b> |
| <p>The amounts shown above are intended only to provide an indication of the volume of business outstanding at the balance sheet date</p> <p>Guarantees are issued by Investec plc and Investec Limited on behalf of third parties and other group companies</p> <p>The guarantees are issued as part of the banking business</p> <p>The UK Financial Services Compensation Scheme (FSCS) provides compensation to customers of UK authorised financial institutions in the event that an institution which is a participating member of the FSCS is unable, or is likely to be unable, to pay claims against it. During the 2008/09 financial year, a number of institutions, including Bradford &amp; Bingley plc, Hantable Bank plc, Kaupthing Singer &amp; Friedlander Limited, Landsbanki Islands hf (Icesave) and London Scottish Bank plc, were declared in default (or were deemed in default by virtue of a statutory instrument). In order to meet its obligations to the depositors of these institutions, the FSCS has (as of 4 February 2009) borrowed £19.7 billion from HM Treasury, on an interest only basis for the first three years of the loan.</p> <p>Furthermore, HM Treasury intends to require the FSCS to make a contribution to the transfer costs of certain assets of Dunfermline Building Society to Nationwide Building Society in accordance with Section 214B of the Financial Services and Markets Act 2000. The extent of such contribution, its timing and any possible impact on Investec are, at this stage, impossible to estimate.</p> <p>The FSCS raises annual levies from participating members to meet its management expenses and compensation costs. Individual participating members make payments based on their level of participation (in the case of deposits, the proportion that their protected deposits represent of total protected deposits) at 31 December each year. If an institution is a participating member on this date it is obligated to pay a levy imposed in the immediately following levy period.</p> <p>Investec Bank plc was a participating member of the FSCS at 31 December 2007 and 2008. Investec Bank plc has accrued £2 million for its share of levies that will be raised by the FSCS including the interest on the loan from HM Treasury in respect of the two levy years to 31 March 2010. The accrual includes estimates for the interest FSCS will pay on the loan and estimates of Investec's market participation in the relevant periods. Interest will continue to accrue to the FSCS on the HM Treasury loan and will form part of future FSCS levies.</p> <p>If the remaining available assets of the defaulting institutions are insufficient to allow the FSCS to repay the HM Treasury loan when due, the FSCS will agree a schedule of repayments of any remaining principal outstanding with HM Treasury, which will be recouped from the industry in the form of additional levies.</p> <p>At the date of these financial statements, it is not possible to estimate whether there will ultimately be additional levies on the industry, the level of Investec's market participation or other factors that may affect the amounts or timing of amounts that may ultimately become payable, nor the effect that such levies may have upon operating results in any particular financial period.</p> <p><b>Legal proceedings</b></p> <p>Investec is party to various legal proceedings, the ultimate resolution of which is not expected to have a material adverse effect on the financial position of the group.</p> |                |                |
| <b>47 Related party transactions</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                |                |
| Compensation to the board of directors and other key management personnel*                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                |                |
| - Short-term employee benefits                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 17 664         | 32 215         |
| - Share based payments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 5 025          | 4 893          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <b>22 689</b>  | <b>37 108</b>  |

\* Key management personnel are board directors and members of the Global Operations Forum

## Notes to the financial statements

| At 31 March<br>£'000                                                                                                                                                                                     | 2009     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| <b>47 Related party transactions</b>                                                                                                                                                                     |          |
| Transactions, arrangements and agreements involving directors and others                                                                                                                                 |          |
| Particulars of transactions arrangements and agreements entered into by the bank with directors and connected persons and companies controlled by them and with officers of the company, were as follows |          |
| Directors, key management and connected persons and companies controlled by them                                                                                                                         |          |
| <b>Loans</b>                                                                                                                                                                                             |          |
| Balance at 1 April 2008                                                                                                                                                                                  | 22 792   |
| Increase in loans                                                                                                                                                                                        | 4 797    |
| Repayment of loans                                                                                                                                                                                       | (7 681)  |
| Balance at 31 March 2009                                                                                                                                                                                 | 19 908   |
| <b>Guarantees</b>                                                                                                                                                                                        |          |
| Guarantees in issue at 1 April 2008                                                                                                                                                                      | 592      |
| Additional guarantees granted                                                                                                                                                                            | 1 429    |
| Guarantees cancelled                                                                                                                                                                                     | (28)     |
| Guarantees in issue at 31 March 2009                                                                                                                                                                     | 1 993    |
| <b>Deposits</b>                                                                                                                                                                                          |          |
| Balance at 1 April 2008                                                                                                                                                                                  | (22 742) |
| Increase in deposits                                                                                                                                                                                     | (14 045) |
| Decrease in deposits                                                                                                                                                                                     | 5 601    |
| Balance at 31 March 2009                                                                                                                                                                                 | (31 186) |

The above transactions were made in the ordinary course of business and on substantially the same terms, including interest rates and security, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment. None of these loans have been impaired.

|                                                                                                                                                                                                                     | 2009   | 2008   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|
| <b>Transactions with other related parties</b>                                                                                                                                                                      |        |        |
| Various members of key management personnel are members of the boards of directors of other companies. At 31 March 2008, Investec Bank Limited group had the following loans outstanding from these related parties | 12 969 | 19 277 |
| Amounts due from associates                                                                                                                                                                                         | 52 794 | 61 718 |

The above outstanding balances arose from the ordinary course of business and on substantially the same terms, including interest rates and security as for comparable transactions with third party counterparties.

Significant transactions between the group and Rensburg Sheppards plc ("RS") are disclosed in note 24 interest in associated undertakings.

### 48 Post balance sheet events

No reportable post balance sheet events have occurred between the end of the financial year and the date of this report.



## Notes to the financial statements

### 49 Hedges

The group uses derivatives for the management of financial risks relating to its asset and liability portfolios mainly associated with non-trading interest rate risks and exposures to foreign currency risk. Most non-trading interest rate risk is transferred from the originating business to the central Treasury in the Capital Markets business. Once aggregated and netted, Treasury, as the sole interface to the wholesale market for cash and derivative transactions, actively manages the liquidity mismatch and non-trading interest rate risk from our asset and liability portfolios. In this regard, central Treasury is required to exercise tight control of funding, liquidity, concentration and non-trading interest rate risk within defined parameters.

The accounting treatment of accounting hedges is dependant on the classification between fair value hedges, cash flow hedges and in particular, accounting hedges which require the identification of a direct relationship between a hedged item and hedging instrument. This relationship is established in limited circumstances based on the manner in which the group manages its risk exposure. Below is a description of each category of accounting hedges achieved by the group.

#### Fair value hedges

Fair value hedges are entered into mainly to hedge the exposure of changes in fair value of fixed rate financial instruments attributable to interest rates.

| At 31 March<br>£'000 | Description<br>of financial<br>instrument<br>designated<br>as hedging<br>instrument | Fair value<br>of hedging<br>instrument | Cumulative<br>gains or<br>losses on<br>hedging<br>instrument | Current year<br>year gains<br>or losses on<br>hedging<br>instrument | Cumulative<br>gains or<br>losses on<br>hedged item | Current year<br>year gains or<br>losses on<br>hedged item |
|----------------------|-------------------------------------------------------------------------------------|----------------------------------------|--------------------------------------------------------------|---------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------------|
| <b>2009</b>          |                                                                                     |                                        |                                                              |                                                                     |                                                    |                                                           |
| <b>Assets</b>        |                                                                                     |                                        |                                                              |                                                                     |                                                    |                                                           |
|                      | Interest rate swap                                                                  | (59 511)                               | (82 134)                                                     | (38 574)                                                            | 73 399                                             | 52 454                                                    |
|                      | Fx currency swap                                                                    | 9 523                                  | (9 523)                                                      | (6 978)                                                             | 8 535                                              | 7 422                                                     |
|                      | Cross currency swap                                                                 | 459 054                                | 552 854                                                      | 222 127                                                             | (552 854)                                          | (222 127)                                                 |
| <b>Liabilities</b>   |                                                                                     |                                        |                                                              |                                                                     |                                                    |                                                           |
|                      | Interest rate swap                                                                  | 24 435                                 | 33 965                                                       | 19 121                                                              | (16 458)                                           | (21 679)                                                  |
|                      | Cross currency swap                                                                 | 9 681                                  | 13 980                                                       | 11 423                                                              | (13 033)                                           | (10 429)                                                  |
|                      | Calendar swap                                                                       | 1 757                                  | 1 757                                                        | 1 757                                                               | (1 757)                                            | (1 757)                                                   |
|                      |                                                                                     | <b>444 939</b>                         | <b>510 899</b>                                               | <b>208 876</b>                                                      | <b>(502 168)</b>                                   | <b>(196 116)</b>                                          |
| <b>2008</b>          |                                                                                     |                                        |                                                              |                                                                     |                                                    |                                                           |
| <b>Assets</b>        |                                                                                     |                                        |                                                              |                                                                     |                                                    |                                                           |
|                      | Interest rate swap                                                                  | (22 495)                               | (62 425)                                                     | (66 075)                                                            | 61 285                                             | 64 885                                                    |
|                      | Fx currency swap                                                                    | 236 928                                | 330 728                                                      | 330 728                                                             | (330 728)                                          | (330 728)                                                 |
| <b>Liabilities</b>   |                                                                                     |                                        |                                                              |                                                                     |                                                    |                                                           |
|                      | Interest rate swap                                                                  | 4 669                                  | 5 796                                                        | 15 486                                                              | (5 739)                                            | (15 149)                                                  |
|                      | Fx currency swap                                                                    | 24 541                                 | 24 696                                                       | 24 348                                                              | (24 696)                                           | (24 348)                                                  |
|                      |                                                                                     | <b>243 643</b>                         | <b>298 795</b>                                               | <b>304 487</b>                                                      | <b>(299 878)</b>                                   | <b>(305 340)</b>                                          |

## Notes to the financial statements

### 49 Hedges (continued)

#### Cash flow hedges

The group is exposed to variability in cash flows on future liabilities arising from changes in base interest rates. The aggregate expected cash flows are hedged based on cash flow forecasts with reference to terms and conditions present in the affected contractual arrangements. Changes in fair value are initially recognised in equity and transferred to the income statement when the cash flow occurs. The nominal expected future cash flows that are subject to cash flow hedges are

| At 31 March<br>£'000 | Description of financial<br>instrument designated<br>as hedging instrument | Fair value of<br>hedging<br>instrument | Period cash flows<br>are expected to<br>occur | Ineffective<br>portion<br>recognised in<br>principal<br>transactions |
|----------------------|----------------------------------------------------------------------------|----------------------------------------|-----------------------------------------------|----------------------------------------------------------------------|
| 2009                 |                                                                            |                                        |                                               |                                                                      |
| Assets               | Interest rate swap<br>USD and EUR floating<br>rate debt                    | 297<br>22 795                          | 1 to 5 years<br>3 months                      | -<br>-                                                               |
| Liabilities          | Interest rate swap<br>Var interest on notes<br>Basis rate swap             | (21 192)<br>(425)<br>1 475             | 1 to 5 years<br>3 months                      | -<br>-                                                               |
| 2008                 |                                                                            |                                        |                                               |                                                                      |
| Interest rate swap   |                                                                            |                                        |                                               |                                                                      |
| Assets               | Fx contract<br>Cross currency swap                                         | 3 056<br>(149)                         | 1 to 5 years<br>1 - 5 years                   | -<br>-                                                               |
| Liabilities          |                                                                            | 2 907                                  |                                               |                                                                      |

#### Hedges of net investments in foreign operations

The group has entered into foreign exchange contracts to hedge the exposure of the Investec plc group balance sheet to its net investment, in Australian Dollars, in the Australian operations of the group

| At 31 March<br>£'000 | Hedging<br>instrument<br>negative<br>fair value | Ineffective<br>portion<br>recognised<br>in principal<br>transactions |
|----------------------|-------------------------------------------------|----------------------------------------------------------------------|
| 2009                 | 7 033                                           | -                                                                    |
| 2008                 | 18 014                                          | -                                                                    |

## Notes to the financial statements

| At 31 March<br>£'000                                                                   | Demand           | Up to 1<br>month | 1 to 3<br>months | 3 to 6<br>months | 6 months<br>to 1 year | 1 to 5<br>years  | > 5<br>years     | Total             |
|----------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|-------------------|
| <b>50 Liquidity analysis of financial liabilities based on undiscounted cash flows</b> |                  |                  |                  |                  |                       |                  |                  |                   |
| <b>2009</b>                                                                            |                  |                  |                  |                  |                       |                  |                  |                   |
| <b>Liabilities</b>                                                                     |                  |                  |                  |                  |                       |                  |                  |                   |
| Deposits by banks                                                                      | 511 491          | 775 175          | 201 437          | 293 495          | 876 812               | 1 160 713        | -                | 3 819 123         |
| Deposits by banks - Kensington warehouse funding                                       | 7 966            | 18 485           | 33 010           | 48 910           | 237 112               | 987 431          | 352 863          | 1 685 777         |
| Derivative financial instruments                                                       | 1 101 094        | -                | 68               | 21 216           | 180                   | 11 101           | 63 324           | 1 196 983         |
| Repurchase agreements and cash collateral on securities lent                           | 915 223          | -                | 2                | 2                | 4                     | -                | 627              | 915 858           |
| Customer accounts                                                                      | 3 839 705        | 3 570 239        | 3 771 117        | 1 583 242        | 1 285 292             | 458 401          | 123 886          | 14 631 882        |
| Debt securities in issue                                                               | -                | 100 361          | 277 207          | 46 582           | 48 969                | 624 315          | 7 031            | 1 104 465         |
| Liabilities arising on securitisation                                                  | 9 655            | 135 358          | 390 966          | 404 571          | 607 672               | 3 310 630        | 1 010 024        | 5 868 876         |
| Other liabilities                                                                      | 567 414          | 74 453           | 217 375          | 448 571          | 25 558                | 146 883          | 39 936           | 1 520 190         |
|                                                                                        | <b>6 952 548</b> | <b>4 674 071</b> | <b>4 891 182</b> | <b>2 846 589</b> | <b>3 081 599</b>      | <b>6 699 474</b> | <b>1 597 691</b> | <b>30 743 154</b> |
| Subordinated liabilities (including convertible debt)                                  | -                | -                | 753              | 11 308           | 80 075                | 468 230          | 810 449          | 1 370 815         |
| <b>Total on balance sheet liabilities</b>                                              | <b>6 952 548</b> | <b>4 674 071</b> | <b>4 891 935</b> | <b>2 857 897</b> | <b>3 161 674</b>      | <b>7 167 704</b> | <b>2 408 140</b> | <b>32 113 969</b> |
| Off-balance sheet liabilities                                                          | 502 161          | 26 128           | 365 442          | 290 582          | 572 271               | 624 634          | 698 509          | 3 079 727         |
| <b>Total liabilities</b>                                                               | <b>7 454 709</b> | <b>4 700 199</b> | <b>5 257 377</b> | <b>3 148 479</b> | <b>3 733 945</b>      | <b>7 792 338</b> | <b>3 106 649</b> | <b>35 193 696</b> |
| <b>2008</b>                                                                            |                  |                  |                  |                  |                       |                  |                  |                   |
| <b>Liabilities</b>                                                                     |                  |                  |                  |                  |                       |                  |                  |                   |
| Deposits by banks                                                                      | 290 065          | 348 338          | 173 246          | 612 926          | 877 944               | 3 281 830        | 13 099           | 5 597 448         |
| Derivative financial instruments                                                       | 769 263          | 28 204           | (58 659)         | 11 017           | (3 980)               | 19 982           | 66 433           | 832 260           |
| Repurchase agreements and cash collateral on securities lent                           | 270 038          | 32               | 111 626          | 753              | -                     | -                | -                | 382 449           |
| Customer accounts                                                                      | 3 450 224        | 1 968 452        | 3 688 183        | 535 913          | 688 854               | 639 067          | 138 824          | 11 109 517        |
| Debt securities in issue                                                               | -                | 311 968          | 504 144          | 562 583          | 722 545               | 272 171          | 1 921            | 2 375 332         |
| Liabilities arising on securitisation                                                  | 8 835            | 182 458          | 463 246          | 313 706          | 709 641               | 4 199 908        | 1 450 819        | 7 328 613         |
| Other liabilities                                                                      | 582 015          | 558 150          | 183 044          | 99 384           | 88 589                | 241 392          | 12 789           | 1 765 363         |
|                                                                                        | <b>5 370 440</b> | <b>3 397 602</b> | <b>5 064 830</b> | <b>2 136 282</b> | <b>3 083 593</b>      | <b>8 654 350</b> | <b>1 683 885</b> | <b>29 390 982</b> |
| Subordinated liabilities (including convertible debt)                                  | -                | -                | 850              | 11 731           | 38 456                | 354 934          | 935 422          | 1 341 393         |
| <b>Total on balance sheet liabilities</b>                                              | <b>5 370 440</b> | <b>3 397 602</b> | <b>5 065 680</b> | <b>2 148 013</b> | <b>3 122 049</b>      | <b>9 009 284</b> | <b>2 619 307</b> | <b>30 732 375</b> |
| Off-balance sheet liabilities                                                          | 429 393          | 1 539            | 85 446           | 7 164            | 23 736                | 243 636          | 79 168           | 870 082           |
| <b>Total liabilities</b>                                                               | <b>5 799 833</b> | <b>3 399 141</b> | <b>5 151 126</b> | <b>2 155 177</b> | <b>3 145 785</b>      | <b>9 252 920</b> | <b>2 698 475</b> | <b>31 602 457</b> |

The balances in the above table will not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows on an undiscounted basis relating to both principal and those associated with all future coupon payments (except for trading liabilities and trading derivatives). Furthermore, loan commitments are generally not recognised on the balance sheet. Trading liabilities and trading derivatives have been included in the "Demand" time bucket, and not by contractual maturity because trading liabilities are typically held for short periods of time. For an analysis based on discounted cash flows, please refer to pages 139 to 141.

## Notes to the financial statements

|                                                                                    | Principal activity                    | Country of incorporation | Interest |        |
|------------------------------------------------------------------------------------|---------------------------------------|--------------------------|----------|--------|
|                                                                                    |                                       |                          | % 2009   | % 2008 |
| <b>51 Principal subsidiaries and associated companies - Investec plc</b>           |                                       |                          |          |        |
| <b>Direct subsidiaries of Investec plc</b>                                         |                                       |                          |          |        |
| Investec 1 Limited                                                                 | Investment holding                    | England and Wales        | 100      | 100    |
| Investec Holding Company Limited                                                   | Investment holding                    | England and Wales        | 100      | 100    |
| <b>Indirect subsidiaries of Investec plc</b>                                       |                                       |                          |          |        |
| Investec Bank (Australia) Limited                                                  | Banking Institution                   | Australia                | 100      | 100    |
| Investec Holdings (UK) Limited                                                     | Holding company                       | England and Wales        | 100      | 100    |
| Investec Bank plc (formerly Investec Bank (UK) Limited)                            | Banking institution                   | England and Wales        | 100      | 100    |
| Investec Group (UK) plc                                                            | Holding company                       | England and Wales        | 100      | 100    |
| Investec Asset Finance plc                                                         | Leasing company                       | England and Wales        | 100      | 100    |
| Investec Finance plc                                                               | Debt issuer                           | England and Wales        | 100      | 100    |
| Investec Group Investments (UK) Limited                                            | Investment holding                    | England and Wales        | 100      | 100    |
| Investec Investment Holdings AG                                                    | Investment holding                    | Switzerland              | 100      | 100    |
| Investec Bank (Channel Islands) Limited                                            | Banking institution                   | Guernsey                 | 100      | 100    |
| Investec Bank (Switzerland) AG                                                     | Banking institution                   | Switzerland              | 100      | 100    |
| Investec Trust (Guernsey) Limited                                                  | Trust Company                         | Guernsey                 | 100      | 100    |
| Investec Trust (Switzerland) S A                                                   | Trust Company                         | Switzerland              | 100      | 100    |
| Investec Trust (Jersey) Limited                                                    | Trust Company                         | Jersey                   | 100      | 100    |
| Investec Asset Management Limited                                                  | Asset Management                      | England and Wales        | 100      | 100    |
| Investec Ireland Limited                                                           | Financial Services                    | Ireland                  | 100      | 100    |
| Investec Securities (US) LLC                                                       | Financial Services                    | USA                      | 100      | 100    |
| Kensington Group plc                                                               | Financial Services                    | England and Wales        | 100      | 100    |
| Kensington Mortgages Limited                                                       | Financial Services                    | England and Wales        | 100      | 100    |
| Newbury Park Mortgage Funding Limited                                              | Financial Services                    | England and Wales        | 100      | 100    |
| St James Park Mortgage Funding Limited                                             | Financial Services                    | England and Wales        | 100      | 100    |
| Start Mortgages Limited                                                            | Financial Services                    | Ireland                  | 65.1     | 65.1   |
| Expenen Pty Limited                                                                | Financial Services                    | Australia                | 100      | 100    |
| Guinness Mahon & Co Limited                                                        | Investment holding                    | England and Wales        | 100      | 100    |
| Global Ethanol Holdings Limited                                                    | Holding company                       | Australia                | 68.3     | 68.3   |
| Global Ethanol LLC (formerly Midwest Grain Processors LLC)                         | Production and marketing of Ethanol   | USA                      | 41.0     | 41.0   |
| Ida Tech plc                                                                       | Development of fuel cell technology   | England and Wales        | 73.1     | 73.1   |
| All of the above subsidiary undertakings are included in the consolidated accounts |                                       |                          |          |        |
| <b>Principal associated companies</b>                                              |                                       |                          |          |        |
| Rensburg Sheppards plc                                                             | Stockbroking and portfolio management | England and Wales        | 47.3     | 47.3   |
| Hargreave Hale Limited                                                             | Stockbroking and portfolio management | England and Wales        | 35.0     | 35.0   |

Investec plc has no equity interest in the following special purpose vehicles which are consolidated on the basis of the group sharing in the risks and rewards associated with the entities

- Residential Mortgage Securities 16 plc
- Residential Mortgage Securities 17 plc
- Residential Mortgage Securities 18 plc
- Residential Mortgage Securities 19 plc
- Residential Mortgage Securities 20 plc
- Residential Mortgage Securities 21 plc
- Residential Mortgage Securities 22 plc
- Kensington Mortgage Securities plc
- Money Partners Securities 1 plc
- Money Partners Securities 2 plc
- Money Partners Securities 3 plc
- Money Partners Securities 4 plc
- Lansdowne Mortgage Securities No. 1 plc
- Lansdowne Mortgage Securities No. 2 plc





## Notes to the financial statements

|                                                                                                                                                                                                                   | Principal activity      | Country of incorporation | Interest |        |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|--------------------------|----------|--------|
|                                                                                                                                                                                                                   |                         |                          | % 2009   | % 2008 |
| <b>51 Principal subsidiaries and associated companies - Investec Limited</b>                                                                                                                                      |                         |                          |          |        |
| <b>Direct subsidiaries of Investec Limited</b>                                                                                                                                                                    |                         |                          |          |        |
| Investec Asset Management Holdings (Pty) Ltd                                                                                                                                                                      | Investment holding      | South Africa             | 100      | 100    |
| Investec Assurance Ltd                                                                                                                                                                                            | Insurance company       | South Africa             | 100      | 100    |
| Investec Bank Ltd                                                                                                                                                                                                 | Registered Bank         | South Africa             | 100      | 100    |
| Investec Employee Benefits Holdings (Pty) Ltd                                                                                                                                                                     | Investment holding      | South Africa             | 100      | 100    |
| Investec Int Holdings (Gibraltar) Ltd                                                                                                                                                                             | Investment holding      | Gibraltar                | 100      | 100    |
| Investec Securities Ltd                                                                                                                                                                                           | Registered Stock Broker | South Africa             | 100      | 100    |
| Fedsure International Ltd                                                                                                                                                                                         | Investment holding      | South Africa             | 100      | 100    |
| Investec Property Group Holdings Ltd                                                                                                                                                                              | Investment holding      | South Africa             | 100      | 100    |
| <b>Indirect subsidiaries of Investec Limited</b>                                                                                                                                                                  |                         |                          |          |        |
| Investec Asset Management (Pty) Ltd                                                                                                                                                                               | Asset management        | South Africa             | 100      | 100    |
| Investec Insurance Brokers (Pty) Ltd                                                                                                                                                                              | Insurance broking       | South Africa             | 100      | 100    |
| Investec International Holdings (Pty) Ltd                                                                                                                                                                         | Investment holding      | South Africa             | 100      | 100    |
| Investec Fund Managers SA Ltd                                                                                                                                                                                     | Unit trust management   | South Africa             | 100      | 100    |
| Investec Bank (Mauntius) Ltd                                                                                                                                                                                      | Banking institution     | Mauntius                 | 100      | 100    |
| Investec Property Group Ltd                                                                                                                                                                                       | Property trading        | South Africa             | 100      | 100    |
| Reichmans Holdings (Pty) Ltd                                                                                                                                                                                      | Trade financing         | South Africa             | 100      | 100    |
| Investec Employee Benefits Ltd                                                                                                                                                                                    | Long-term Insurance     | South Africa             | 100      | 100    |
| Investec Limited has no equity interest in the following special purpose vehicles, which are consolidated on the basis of the group sharing in the majority of the risks and rewards associated with the entities |                         |                          |          |        |
| Peu II Ltd                                                                                                                                                                                                        |                         | South Africa             |          |        |
| <b>Securitisation entities</b>                                                                                                                                                                                    |                         |                          |          |        |
| - Private Mortgages 1 (Pty) Ltd                                                                                                                                                                                   |                         | South Africa             |          |        |
| - Private Mortgages 2 (Pty) Ltd                                                                                                                                                                                   |                         | South Africa             |          |        |
| - Private Mortgages 3 (Pty) Ltd                                                                                                                                                                                   |                         | South Africa             |          |        |
| - Private Residential Mortgages (Pty) Ltd                                                                                                                                                                         |                         | South Africa             |          |        |
| - Private Commercial Mortgages (Pty) Ltd                                                                                                                                                                          |                         | South Africa             |          |        |
| - Grayston Conduit 1 (Pty) Ltd                                                                                                                                                                                    |                         | South Africa             |          |        |
| - Corporate Finance Solutions Receivables (Pty) Ltd                                                                                                                                                               |                         | South Africa             |          |        |

# Investec plc parent company accounts

## Balance sheet

| At 31 March<br>£'000                   | Notes | 2009             | 2008             |
|----------------------------------------|-------|------------------|------------------|
| <b>Assets</b>                          |       |                  |                  |
| Cash at bank and in hand               |       |                  |                  |
| - balances with subsidiary undertaking |       | 105 538          | 67 999           |
| - balances with other banks            |       | 876              | 863              |
| Amounts owed by group undertakings     |       | 494 739          | 499 529          |
| Investments in subsidiaries            | b     | 1 234 571        | 1 110 533        |
| Taxation                               |       | 13 376           | 16 116           |
| Other assets                           |       | 20               | 124              |
| Prepayments and accrued income         |       | -                | 108              |
|                                        |       | <b>1 849 120</b> | <b>1 695 272</b> |
| <b>Liabilities</b>                     |       |                  |                  |
| Bank loans                             | c     | 185 372          | 159 659          |
| Amounts owed to group undertakings     |       | 814 322          | 738 004          |
| Other liabilities                      |       | 971              | 924              |
| Accruals and deferred income           |       | 3 251            | 3 563            |
|                                        |       | <b>1 003 916</b> | <b>902 150</b>   |
| <b>Equity</b>                          |       |                  |                  |
| Called up share capital                | d     | 143              | 131              |
| Perpetual preference share capital     | d     | 151              | 151              |
| Share premium account                  | d     | 838 911          | 780 430          |
| Capital redemption reserve             | d     | 50               | 50               |
| Treasury shares                        | d     | -                | (3 549)          |
| Profit and loss account                | d     | 5 949            | 15 909           |
| <b>Total equity</b>                    |       | <b>845 204</b>   | <b>793 122</b>   |
| <b>Total equity and liabilities</b>    |       | <b>1 849 120</b> | <b>1 695 272</b> |



# Notes to Investec plc parent company accounts

## a Accounting policies

### Basis of preparation

The parent accounts of Investec plc are prepared under the historical cost convention and in accordance with UK accounting standards

### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. All foreign currency transactions are translated into sterling at the exchange rate ruling at the time of the transaction. Forward foreign exchange contracts are revalued at the market rates ruling at the date applicable to their respective maturities. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit or loss account.

### Investments

Investments are stated at cost less any impairment in value.

### Income

Dividends from subsidiaries are recognised when paid. Interest is recognised on an accrual basis.

### Taxation

Corporate taxation is provided on taxable profits at the current rate.

## b Investments in subsidiary undertakings

| At 31 March<br>£'000         | 2009      | 2008      |
|------------------------------|-----------|-----------|
| At beginning and end of year | 1 110 533 | 421 446   |
| Additions                    | 124 038   | 913 233   |
| Disposals                    | -         | (224 146) |
|                              | 1 234 571 | 1 110 533 |

On 23 September 2008 the company purchased 12 million Investec 1 Limited's ordinary shares of 0.1 pence each at a cost of £1 per share.

Further purchases totalling 7.5 million Investec 1 Limited's ordinary shares of 0.1 pence each at a cost of £10 per share were made during the year.

On 26 March 2009, Investec Finance (Jersey) Limited issued to the company 10 million preference shares of £2 6825 each.

On 30 March 2009, the company purchased 96 shares of 20 pence each of Investec Holding Company Limited for a cash consideration of £10 212 418.

## c The company drew down on two Schuldschein loans of €100 million on 8 and 9 March 2006. These loans each bear interest at 90 basis points above three month EURIBOR and are repayable on 8 and 9 March 2011.

| Statement of changes in shareholders' equity | Ordinary share capital<br>£'000 | Perpetual preference share<br>£'000 | Share premium account<br>£'000 | Treasury shares<br>£'000 | Capital redemption reserve<br>£'000 | Profit and loss account<br>£'000 | Total equity<br>£'000 |
|----------------------------------------------|---------------------------------|-------------------------------------|--------------------------------|--------------------------|-------------------------------------|----------------------------------|-----------------------|
| At 1 April 2008                              | 131                             | 151                                 | 780 430                        | (3 549)                  | 50                                  | 15 909                           | 793 122               |
| Allotment of special converting shares       | 7                               | -                                   | -                              | -                        | -                                   | -                                | 7                     |
| Issue of ordinary shares                     | 5                               | -                                   | 58 481                         | -                        | -                                   | -                                | 58 486                |
| Disposal of treasury shares                  | -                               | -                                   | -                              | 3 549                    | -                                   | -                                | 3 549                 |
| Share based payment adjustment               | -                               | -                                   | -                              | -                        | -                                   | 1 247                            | 1 247                 |
| Profit for the year                          | -                               | -                                   | -                              | -                        | -                                   | 46 558                           | 46 558                |
| Dividends paid to preference shareholders    | -                               | -                                   | -                              | -                        | -                                   | (9 472)                          | (9 472)               |
| Dividends paid to ordinary shareholders      | -                               | -                                   | -                              | -                        | -                                   | (48 293)                         | (48 293)              |
| At 31 March 2009                             | 143                             | 151                                 | 838 911                        | -                        | 50                                  | 5 949                            | 845 204               |

### Parent company profit and loss account

The company has taken advantage of the exemption in Section 230 of the Companies Act 1985 not to present its own profit and loss account.

The company's profit for the year, determined in accordance with the Act, was £46 558 000 (2008: £94 041 000).

## Notes to Investec plc parent company accounts

| Treasury shares                                             | 2009      | 2008      |
|-------------------------------------------------------------|-----------|-----------|
| Treasury shares held by Investec plc                        | £'000     | £'000     |
| Investec plc ordinary shares                                | -         | 3 549     |
| Number of Investec plc ordinary shares held by Investec plc | Number    | Number    |
| At 1 April                                                  | 1 124 995 | 500 000   |
| Purchase of own shares by Investec plc                      | -         | 624 995   |
| Disposal of own shares by Investec plc                      | (624 995) | -         |
| At 31 March                                                 | 500 000   | 1 124 995 |
| Reconciliation of treasury shares                           | £'000     | £'000     |
| At 1 April                                                  | 3 549     | 1 197     |
| Purchase of own shares by Investec plc                      | -         | 3 549     |
| Disposal of own shares by Investec plc                      | (3 549)   | -         |
| Share based payments adjustment                             | -         | (1 197)   |
| At 31 March                                                 | -         | 3 549     |
| Market value of treasury shares                             | £'000     | £'000     |
|                                                             | 1 460     | 3 808     |

Treasury shares are being held in an employee benefit trust in relation to the Investec Share Matching Plan 2005

Dividends on treasury shares have not been included in the profit and loss account



## Investec Limited parent company account

### Income statement

| For the year to 31 March<br>R'million | 2009  | 2008  |
|---------------------------------------|-------|-------|
| Interest receivable                   | 109   | 196   |
| Interest payable                      | (50)  | (81)  |
| Net interest income                   | 59    | 115   |
| Principal transactions                | 1 747 | 3 619 |
| Other income                          | 1 747 | 3 619 |
| Administrative expenses               | (68)  | (56)  |
| Profit before taxation                | 1 738 | 3 678 |
| Taxation                              | (32)  | (35)  |
| Profit after taxation                 | 1 706 | 3 643 |

## Investec Limited parent company account

### Balance sheet

| At 31 March<br>R'million                              | Notes | 2009          | 2008         |
|-------------------------------------------------------|-------|---------------|--------------|
| <b>Assets</b>                                         |       |               |              |
| Loans and advances to banks                           |       | 29            | 30           |
| Trading securities                                    |       | 250           | -            |
| Loans and advances to customers                       |       | 1             | 1            |
| Other assets                                          |       | 1             | 1            |
| Investment in subsidiaries                            | b     | 9 883         | 9 235        |
|                                                       |       | <b>10 164</b> | <b>9 267</b> |
| <b>Liabilities</b>                                    |       |               |              |
| Current taxation liabilities                          |       | 154           | 122          |
| Other liabilities                                     |       | 467           | 482          |
|                                                       |       | <b>621</b>    | <b>604</b>   |
| Subordinated liabilities (including convertible debt) |       | -             | 379          |
|                                                       |       | <b>621</b>    | <b>983</b>   |
| <b>Equity</b>                                         |       |               |              |
| Ordinary share capital                                | c     | 1             | 1            |
| Share premium                                         |       | 8 480         | 7 563        |
| Other reserves                                        |       | 62            | 62           |
| Retained income                                       |       | 1 000         | 658          |
| Total equity                                          |       | <b>9 543</b>  | <b>8 284</b> |
| <b>Total liabilities and shareholders' equity</b>     |       | <b>10 164</b> | <b>9 267</b> |



## Notes to Investec Limited parent company account

### Summary of changes in equity

| For the year to 31 March<br>R'million                  | Share<br>capital | Share<br>premium<br>account | Capital<br>reserve<br>account | Profit and<br>loss<br>account | Total<br>shareholders'<br>equity |
|--------------------------------------------------------|------------------|-----------------------------|-------------------------------|-------------------------------|----------------------------------|
| At 1 April 2007                                        | 1                | 7 370                       | 62                            | (2 130)                       | 5 303                            |
| Retained profit for the year                           | -                | -                           | -                             | 3 643                         | 3 643                            |
| Share based payments                                   | -                | -                           | -                             | 292                           | 292                              |
| Dividends accrued to ordinary shareholders             | -                | -                           | -                             | (951)                         | (951)                            |
| Dividends accrued to perpetual preference shareholders | -                | -                           | -                             | (196)                         | (196)                            |
| Issue of shares                                        | -                | 193                         | -                             | -                             | 193                              |
| At 31 March 2008                                       | 1                | 7 563                       | 62                            | 658                           | 8 284                            |
| At 1 April 2008                                        | -                | -                           | -                             | -                             | -                                |
| Retained profit for the year                           | -                | -                           | -                             | 1 706                         | 1 706                            |
| Share based payments                                   | -                | -                           | -                             | 351                           | 351                              |
| Dividends accrued to ordinary shareholders             | -                | -                           | -                             | (1 485)                       | (1 485)                          |
| Dividends accrued to perpetual preference shareholders | -                | -                           | -                             | (230)                         | (230)                            |
| Issue of shares                                        | -                | 917                         | -                             | -                             | 917                              |
| At 31 March 2009                                       | 1                | 8 480                       | 62                            | 1 000                         | 9 543                            |

## Notes to Investec Limited parent company accounts

### a Accounting policies

#### Basis of preparation

The parent company accounts of Investec Limited are prepared in accordance with International Financial Reporting Standards and in a manner consistent with the policies disclosed on pages 244 to 253 for the group accounts, except as noted below

#### Foreign currencies

The presentational and functional currency for Investec Limited parent company is South African Rand. All foreign currency transactions are initially recorded and translated to the functional currency at the rate applicable at the time of the transaction.

#### Investments in subsidiaries

Investment in subsidiaries are stated at cost less any impairment in value.

#### Income

Dividends from subsidiaries are recognised when paid. Interest is recognised on an accrual basis.

### b Investments in subsidiaries

At 31 March

R'million

|                                              | 2009  | 2008  |
|----------------------------------------------|-------|-------|
| At beginning of year                         | 9 235 | 6 561 |
| Increase in investment in subsidiary         | 783   | 1 850 |
| Increase/(decrease) in loans to subsidiaries | (135) | 775   |
| Exchange adjustments                         | -     | 49    |
| At end of year                               | 9 883 | 9 235 |

At list of the companies principal subsidiaries is detailed in note 51 of the group accounts on page 312

c The company's called up share capital is detailed in note 38 of the group accounts on pages 299 to 301

d The company's perpetual preference shares is detailed in note 39 of the group accounts on page 302





## Definitions

|                                                                                        |                                                                                                                                                                                                                                                                               |
|----------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adjusted shareholders' equity                                                          | Refer to calculation on page 26                                                                                                                                                                                                                                               |
| Cost to income ratio                                                                   | Administrative expenses and depreciation divided by operating income                                                                                                                                                                                                          |
| Core loans and advances                                                                | Refer to calculation on page 106                                                                                                                                                                                                                                              |
| Dividend cover                                                                         | Adjusted earnings per ordinary share before goodwill and non-operating items divided by dividends per ordinary share                                                                                                                                                          |
| Earnings attributable to ordinary shareholders before goodwill and non-operating items | Refer to pages 267 and 268                                                                                                                                                                                                                                                    |
| Adjusted earnings per ordinary share before goodwill and non-operating items           | Refer to pages 267 and 268                                                                                                                                                                                                                                                    |
| Effective operational taxation rate                                                    | Taxation on profit on ordinary activities (excluding exceptional items) divided by operating profit (excluding profit from associates)                                                                                                                                        |
| Market capitalisation                                                                  | Total number of shares in issue (including Investec plc and Investec Limited) multiplied by the closing share price of Investec plc on the London Stock Exchange                                                                                                              |
| Net tangible asset value per share                                                     | Refer to calculation on page 25                                                                                                                                                                                                                                               |
| Non-operating items                                                                    | Reflects profits and/or losses on termination or disposal of group operations                                                                                                                                                                                                 |
| Operating profit                                                                       | Operating income less administrative expenses, impairments for bad and doubtful debts and depreciation of tangible fixed assets<br>This amount is before goodwill and non-operating items                                                                                     |
| Operating profit per employee                                                          | Refer to calculation on page 31                                                                                                                                                                                                                                               |
| Recurring income                                                                       | Net interest income plus net annuity fees and commissions expressed as a percentage of total operating income net of insurance claims                                                                                                                                         |
| Return on average adjusted shareholders' equity                                        | Refer to calculation on page 26                                                                                                                                                                                                                                               |
| Return on average adjusted tangible shareholders' equity                               | Refer to calculation on page 26                                                                                                                                                                                                                                               |
| Staff compensation to operating income ratio                                           | All employee related costs expressed as a percentage of operating income                                                                                                                                                                                                      |
| Third party assets under administration                                                | Includes third party assets under administration managed by the Private Client Asset Management and Property businesses                                                                                                                                                       |
| Total capital resources                                                                | Includes shareholders' equity, subordinated liabilities and minority interests                                                                                                                                                                                                |
| Total equity                                                                           | Total shareholders' equity including minority interests                                                                                                                                                                                                                       |
| Weighted number of ordinary shares in issue                                            | The number of ordinary shares in issue at the beginning of the year increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the income of the group less treasury shares. Refer to calculation on page 267 |

**Investec plc**  
(Incorporated in England and Wales)  
(Registration number 3633621)  
Share code INVP ISIN GB00B17BBQ50

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you are recommended to obtain your own personal financial advice immediately from your stockbroker, bank manager, accountant or other independent professional adviser authorised under Part VI of the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all your ordinary shares in Investec plc, please send this document together with the accompanying Form of Proxy at once to the relevant transferee or to the stockbroker, bank or other person through whom the sale or transfer was effected, for transmission to the relevant transferee.

## Notice of Annual General Meeting of Investec plc

Notice is hereby given that the Annual General Meeting of Investec plc will be held at 11.00 (UK time) on Thursday, 13 August 2009, at the registered office of Investec plc at 2 Gresham Street, London EC2V 7QP, to transact the following business:

### Common business: Investec plc and Investec Limited

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

- 1 To re-elect Samuel Ellis Abrahams as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 2 To re-elect Hugh Sidney Herman as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 3 To re-elect Ian Robert Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 4 To re-elect Stephen Koseff as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 5 To re-elect Sir David Prosser as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 6 To re-elect Peter Richard Suter Thomas as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited

For brief biographical details of the directors to be re-elected, please refer to pages 219 to 222 of the Annual Report of Investec plc/Investec Limited.

In accordance with corporate governance best practice, all non-executive directors who have served on the board for nine years or more are required to seek re-election on an annual basis. This requirement is entrenched in the Articles of Association of both Investec plc and Investec Limited.

### 7 Directors' authority to take action in respect of the resolutions

#### Resolved that

- any director or the company secretaries of Investec plc and Investec Limited, be and they are hereby authorised to do all things and sign all documents which may be necessary to carry into effect the resolutions contained in this notice to the extent the same have been passed and, where applicable, registered.

### Ordinary business: Investec Limited

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

- 8 To receive and adopt the audited financial statements of Investec Limited for the year ended 31 March 2009, together with the reports of the directors of Investec Limited and of the auditors of Investec Limited
- 9 To determine, ratify and approve the remuneration of the directors of Investec Limited for the year ended 31 March 2009
- 10 To sanction the interim dividend paid by Investec Limited on the ordinary shares in Investec Limited for the 6 (six) month period ended 30 September 2008
- 11 To sanction the interim dividend paid by Investec Limited on the dividend access (South African resident) redeemable preference share ("SA DAS share") for the 6 (six) month period ended 30 September 2008
- 12 Subject to the passing of resolution no. 32, to declare a final dividend on the ordinary shares and the dividend access (South African resident) redeemable preference share ("SA DAS share") in Investec Limited for the year ended 31 March 2009 of an amount equal to that recommended by the directors of Investec Limited
- 13 To re-appoint Ernst & Young Inc. of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 South Africa (Private Bag X14, Northlands, 2116 South Africa) as joint auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2010 and to authorise the directors of Investec Limited to fix their remuneration
- 14 To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 South Africa (Private Bag 9, Parkview, 2122 South Africa) as joint auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2010 and to authorise the directors of Investec Limited to fix their remuneration



## Special business Investec Limited

To consider and if deemed fit, to pass, with or without modification, the following ordinary and special resolutions of Investec Limited

### 15 Ordinary resolution Investec Limited Placing 5% of the unissued ordinary shares under the control of the directors

#### Resolved that

- with reference to the authority granted to directors in terms of Article 12 of the Articles of Association of Investec Limited
  - (a) unless and until such date that special resolution no 2 becomes effective, 1 564 516 (one million five hundred and sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each being 5% (five per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited
  - or
  - (b) from the date on which special resolution no 2 becomes effective, 9 064 516 (nine million sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each being 5% (five per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited

be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973 as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2010, subject to the provisions of the SA Act the South African Banks Act, No 94 of 1990, as amended and the Listings Requirements of the JSE Limited

### 16 Ordinary resolution Investec Limited Placing 5% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares under the control of the directors

#### Resolved that

- with reference to the authority granted to directors in terms of Article 12 of the Articles of Association of Investec Limited, a total of 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares ("class 'A' preference shares") of R0 0002 each, being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2010, subject to the provisions of the SA Act the South African Banks Act, No 94 of 1990, as amended and the Listings Requirements of the JSE Limited

### 17 Ordinary resolution Investec Limited Placing the remaining unissued shares, being the variable rate cumulative redeemable preference shares, the non-redeemable, non-cumulative, non-participating preference shares and the special convertible redeemable preference shares under the control of the directors

#### Resolved that

- with reference to the authority granted to directors in terms of Article 12 of the Articles of Association of Investec Limited, all the unissued shares in the authorised share capital of Investec Limited, excluding the ordinary shares and the class "A" variable rate compulsorily convertible non-cumulative preference shares, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2010, subject to the provisions of the SA Act, the South African Banks Act No 94 of 1990, as amended and the Listings Requirements of the JSE Limited These preference shares, if issued, are non-dilutive to ordinary shareholders

### 18 Ordinary resolution with a 75% majority Investec Limited Directors' authority to allot and issue ordinary shares for cash, in respect of 5% of the unissued ordinary shares

#### Resolved that

- subject to the passing of resolution no 15, the Listings Requirements of the JSE Limited ("JSE Listing Requirements"), the South African Banks Act, No 94 of 1990, as amended and the South African Companies Act, No 61 of 1973, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue
  - (a) unless and until such date that special resolution no 2 becomes effective, 1 564 516 (one million five hundred and sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each
  - or
  - (b) from the date on which special resolution no 2 becomes effective, 9 064 516 (nine million sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each

for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE Listings Requirements

- (i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec Limited to be held in 2010 or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 13 August 2009 whichever period is shorter

- (ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue
- (iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible
- (iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and
- (v) the ordinary shares must be issued to public shareholders, as defined in the JSE Listing Requirements, and not to related parties

The directors are seeking an authority to allot up to 5% (five per cent) of the number of unissued ordinary shares for cash which represents 0.582% (zero point five eight two per cent) until special resolution no. 2 becomes effective and 3.373% (three point three seven three per cent) thereafter of the number of issued ordinary shares which is significantly lower than the 15% (fifteen per cent) permitted in terms of the JSE Listings Requirements

If resolution no. 18 and special resolution no. 10 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total issued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines

In terms of the JSE Listings Requirements, in order for resolution no. 18 to be given effect to, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 18

**19 Ordinary resolution with a 75% majority Investec Limited Directors' authority to allot and issue class "A" variable rate compulsorily convertible non-cumulative preference shares for cash**

**Resolved that**

- subject to the passing of resolution no. 16 the Listings Requirements of the JSE Limited ("JSE Listing Requirements"), the South African Banks Act, No. 94 of 1990, as amended and the South African Companies Act, No. 61 of 1973, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares ("class "A" preference shares") of R0.0002 each being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE Listings Requirements
  - (i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec Limited to be held in 2010 or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 13 August 2009 whichever period is shorter
  - (ii) a paid press announcement giving full details including the impact on net asset value and earnings per class "A" preference share, will be published at the time of an issue representing on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of class "A" preference shares in issue prior to such issue
  - (iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of class "A" preference shares in issue
  - (iv) in determining the price at which an allotment and issue of class "A" preference shares may be made in terms of this authority the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the class "A" preference shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and
  - (v) the class "A" preference shares must be issued to public shareholders, as defined in the JSE Listing Requirements, and not to related parties

If resolution no. 19 is passed, the directors will have authority to allot up to 2 000 000 (two million) class "A" preference shares for cash other than by way of rights issue in respect of Investec Limited, being equivalent to 5% (five per cent) of the unissued class "A" preference shares

In terms of the JSE Listing Requirements, in order for resolution no. 19 to be given effect to, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 19



20 Special resolution no 1 Investec Limited Directors' authority to acquire ordinary shares and perpetual preference shares

Resolved that

- in terms of Article 9 of the Articles of Association of Investec Limited and with effect from 13 August 2009, Investec Limited hereby approves, as a general approval contemplated in Sections 85 to 89 (both inclusive) of the South African Companies Act, No 61 of 1973, as amended (the "SA Act"), the acquisition by Investec Limited or any of its subsidiaries from time to time of the issued ordinary shares and non-redeemable non-cumulative, non-participating preference shares (the "perpetual preference shares") of Investec Limited, upon such terms and conditions and in such amounts as the directors of Investec Limited or its subsidiaries may from time to time decide but subject to the provisions of the South African Banks Act, No 94 of 1990, as amended, the SA Act and the Listings Requirements of the JSE Limited (the "JSE" and the "JSE Listing Requirements") being inter alia that
  - (i) any such acquisition of ordinary shares or perpetual preference shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement
  - (ii) this general authority shall be valid until Investec Limited's next Annual General Meeting to be held in 2010, or for 15 (fifteen) months from the date of the passing of this special resolution no 1, whichever is the shorter period
  - (iii) an announcement containing full details of such acquisitions will be published as soon as Investec Limited or any of its subsidiaries has acquired ordinary shares or perpetual preference shares constituting, on a cumulative basis, 3% (three per cent) of the number of ordinary shares or perpetual preference shares in issue as the case may be, prior to the acquisition pursuant to which the aforesaid 3% (three per cent) threshold is reached and for each 3% (three per cent) in aggregate acquired thereafter
  - (iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty per cent) of Investec Limited's issued ordinary share capital or Investec Limited's issued perpetual preference share capital as at the date of passing of this special resolution no 1
  - (v) in determining the price at which ordinary shares or perpetual preference shares issued by Investec Limited are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares or perpetual preference shares, as the case may be, may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares or perpetual preference shares, as the case may be, are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of acquisition of such ordinary shares or perpetual preference shares, as the case may be, by Investec Limited or any of its subsidiaries
  - (vi) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any acquisition on Investec Limited's behalf
  - (vii) Investec Limited remaining in compliance with the minimum shareholder spread requirements of the JSE Listings Requirements and
  - (viii) Investec Limited and/or its subsidiaries not acquiring any shares during a prohibited period as defined by the JSE Listings Requirements

The reason for and effect of special resolution no 1 is to grant a renewable general authority to Investec Limited, or a subsidiary of Investec Limited, to acquire ordinary shares and perpetual preference shares of Investec Limited which are in issue from time to time in terms of the SA Act and the JSE Listings Requirements

The directors of Investec Limited have no present intention of making any acquisition but believe that Investec Limited should retain the flexibility to take action if future acquisitions are considered desirable and in the best interests of shareholders. The directors of Investec Limited are of the opinion that, after considering the effect of such acquisition of ordinary shares and perpetual preference shares, if implemented and on the assumption that the maximum of 20% (twenty per cent) of the current issued ordinary share capital or perpetual preference share capital of Investec Limited will be acquired, using the mechanism of the general authority at the maximum price at which the acquisition may take place (a 10% (ten per cent) premium above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date of the acquisition) and having regard to the price of the ordinary shares or perpetual preference shares of Investec Limited on the JSE at the last practical date prior to the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009 that

- Investec Limited and its subsidiaries will be able, in the ordinary course of business, to pay its debt for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009
- the consolidated assets of Investec Limited and its subsidiaries, fairly valued in accordance with General Accepted Accounting Practice will be in excess of the consolidated liabilities of Investec Limited and its subsidiaries for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009
- Investec Limited and its subsidiaries will have adequate capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009 and
- the working capital of Investec Limited and its subsidiaries will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009

Litigation statement

In terms of section 11 26 of the JSE Listings Requirements, the directors, whose names appear on pages 219 to 222 of the 2009 Annual Report, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past being at least the previous 12 (twelve) months, a material effect on Investec Limited and its subsidiaries' financial position, other than disclosed in the notes to the financial statements

#### Directors' responsibility statement

The directors, whose names appear on pages 219 to 222 of the 2009 Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information

#### Material changes

Other than the facts and developments reported on in the 2009 Annual Report, there have been no material changes in the affairs or financial position of Investec Limited and its subsidiaries since the date of signature of the audit report and up to the date of this notice

The following additional information, some of which may appear elsewhere in the 2009 Annual Report, is provided in terms of the JSE Listings Requirements for purposes of the general authority

- Directors and management – Annual Report pages 219 to 225,
- Major beneficial shareholders – Annual Report page 216,
- Directors' interests in ordinary shares – Annual Report page 201,
- Share capital of Investec Limited – Annual Report pages 299 to 301

#### 21 Special resolution no 2 Investec Limited Increase in share capital Number of ordinary shares

##### Resolved that

- subject to the passing of resolution no 39 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009 in terms of Section 75(1)(e) of the Companies Act, Act No 61 of 1973, as amended (the "SA Act"), Article 7 of the Articles of Association of Investec Limited and, with effect from 13 August 2009, the number of ordinary shares in the authorised share capital of Investec Limited be and is hereby increased to 450 000 000 (four hundred and fifty million) by the creation of 150 000 000 (one hundred and fifty million) new ordinary shares of R0 0002 each in the authorised share capital of Investec Limited

The reason for and effect of special resolution no 2 is to increase the number of ordinary shares in the authorised share capital of Investec Limited. Prior to the passing of this special resolution no 2, Investec Limited has issued approximately 90% (ninety per cent) of its authorised ordinary share capital

#### 22 Special resolution no 3 Investec Limited Increase in share capital Number of special convertible redeemable preference shares

##### Resolved that

- subject to the passing of resolution no 38 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009 in terms of Section 75(1)(e) of the Companies Act, Act No 61 of 1973, as amended (the "SA Act"), Article 7 of the Articles of Association of Investec Limited and, with effect from 13 August 2009, the number of special convertible redeemable preference shares in the authorised share capital of Investec Limited be and is hereby increased to 700 000 000 (seven hundred million) by the creation of 140 000 000 (one hundred and forty million) special convertible redeemable preference shares of R0 0002 each in the authorised share capital of Investec Limited

The reason for and effect of special resolution no 3 is to increase the number of authorised special convertible redeemable preference shares in the authorised share capital of Investec Limited in order to align them with the authorised ordinary share capital of Investec plc thereby complying with the Dual Listed Companies agreements in place between Investec plc and Investec Limited

#### 23 Special resolution no 4 Investec Limited Amendment to Memorandum of Association

##### Resolved that

- subject to the passing and registration of the above special resolutions nos 2 and 3 and the passing of resolutions nos 38 and 39 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, in terms of Section 56(4) of the Companies Act, Act No 61 of 1973, as amended, (the "SA Act"), Article 149 of the Articles of Association of Investec Limited and with effect from 13 August 2009, the Memorandum of Association of Investec Limited be amended by the deletion of the entire paragraph 8(a) and the substitution thereof with the following new paragraph 8(a)  
"8(a) Par value  
The share capital of Investec Limited is R1 268 002 00 (one million two hundred and sixty eight thousand and two rand) divided into  
(i) 450 000 000 (four hundred and fifty million) ordinary shares of R0 0002 each  
(ii) 40 000 000 (forty million) class "A" variable rate compulsorily convertible non-cumulative preference shares of R0 0002 each  
(iii) 50 000 (fifty thousand) variable rate cumulative redeemable preference shares of R0 60 each  
(iv) 100 000 000 (one hundred million) non-redeemable, non-cumulative, non-participating preference shares of R0 01 each  
(v) 1 (one) dividend access (South Africa Resident) redeemable preference share of R1 00  
(vi) 1 (one) dividend access (non-South African Resident) redeemable preference share of R1 00  
(vii) 700 000 000 (seven hundred million) special convertible redeemable preference shares of R0 0002 each "

The reason for and effect of special resolution no 4 is to amend the Memorandum of Association of Investec Limited to correctly reflect the new authorised share capital of Investec Limited



24 Special resolution no 5 Investec Limited Amendment to Articles of Association Annual and General Meetings

Resolved that

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009 the Articles of Association of Investec Limited be amended by the deletion of the current Article 47 and the insertion of the following new Article 47
- "47 Annual and General Meetings  
An Annual General Meeting shall be held once in every year, at such time within a period of not more than six months from the day following the company's financial year end and not more than fifteen months after the holding of the last preceding Annual General Meeting, at a place as may be determined by the directors. All other meetings shall be called General Meetings."

The reason for and effect of special resolution no 5 is to align the Articles of Association of Investec Limited to those of Investec plc in accordance with the Dual Listed Companies agreements

25 Special resolution no 6 Investec Limited Amendment to Articles of Association Contents of Notice of General Meetings

Resolved that

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009 the Articles of Association of Investec Limited be amended by the deletion of the current Article 50 1 and the substitution thereof with the following new Article 50 1
- "50 1 Every notice calling a General Meeting shall specify the place and the day and hour of the meeting and there shall appear, with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend speak and vote instead of him on a poll or a show of hands and that a proxy need not be a member of the company"

The reason for and effect of special resolution no 6 is to align the Articles of Association of Investec Limited to those of Investec plc in accordance with the Dual Listed Companies agreements

26 Special resolution no 7 Investec Limited Amendment to Articles of Association Votes attaching to shares

Resolved that

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, the Articles of Association of Investec Limited be amended by the deletion of the current Article 63 1(a) and the substitution thereof with the following new Article 63 1(a)
- "63 Votes attaching to shares  
63 1(a) on a show of hands every member being an individual who is present in person or by proxy, or if a body corporate represented, shall have one vote, and"

The reason for and effect of special resolution no 7 is to align the Articles of Association of Investec Limited to those of Investec plc, in accordance with the Dual Listed Companies agreements

27 Special resolution no 8 Investec Limited Amendment to Articles of Association Timing for the deposit of form of proxy

Resolved that

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009 the Articles of Association of Investec Limited be amended by the deletion of the current Article 72 and the substitution thereof with the following new Article 72
- "72 Deposit of form of proxy  
72 1 Validly completed proxy appointments will be accepted at the address specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting or, if no address is so specified, at the transfer office, if the proxy appointment is received  
(a) in the case of a meeting or adjourned meeting, not less than 48 (forty eight) hours before the time appointed for the commencement of the meeting or adjourned meeting and  
(b) in the case of a poll taken more than 48 (forty eight) hours after it was demanded, not less than 24 (twenty four) hours before the time appointed for taking the poll  
and in default shall not be treated as valid, unless it is accepted by the Chairman of the meeting to which the proxy appointment relates, or unless the directors give notice that proxy appointments will be accepted up until a date or time closer to the appointed time of the meeting, adjourned meeting or poll  
72 2 A proxy received from the holder of the Limited special convertible redeemable preference shares will be valid if it is received before the closing of the poll to which it relates. The instrument shall, unless the contrary is stated thereon be valid as well for any adjournment of the meeting as for the meeting to which it relates. An instrument of proxy relating to more than one meeting, including any adjournment thereof, having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates"

The reason for and effect of special resolution no 8 is to record the period in which a form of proxy must be deposited before the time appointed for a General or an Annual General Meeting, thereby aligning the Articles of Association of Investec Limited to those of Investec plc, in accordance with the Dual Listed Companies agreements



**28 Special resolution no 9 Investec Limited Amendment to Articles of Association Rights of proxy**

**Resolved that**

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009 the Articles of Association of Investec Limited be amended by the deletion of the current Article 73 and the substitution thereof with the following new Article 73

**"73 Rights of proxy**

A proxy shall have the right to exercise all or any of the rights of his appointer, or (where more than one proxy is appointed) all or any of the rights attached to the shares in respect of which he is appointed the proxy to attend speak and vote at a meeting of the company. Unless his appointment provides otherwise a proxy may vote or abstain at his discretion on any resolution put to the vote at the meeting to which his appointment relates "

The reason for and effect of special resolution no 9 is to align the Articles of Association of Investec Limited to those of Investec plc, in accordance with the Dual Listed Companies agreements

**Ordinary business Investec plc**

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

- 29 To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2009, together with the reports of the directors of Investec plc and of the auditors of Investec plc
- 30 To approve the remuneration report of Investec plc for the year ended 31 March 2009
- 31 To sanction the interim dividend paid by Investec plc on the ordinary shares in Investec plc for the 6 (six) month period ended 30 September 2008
- 32 Subject to the passing of resolution no 12 to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2009 of an amount equal to that recommended by the directors of Investec plc
- 33 To re-appoint Ernst & Young LLP of 1 More London Place, London, SE1 2AF as auditors of Investec plc to hold office until the conclusion of the Annual General Meeting of Investec plc to be held in 2010 and to authorise the directors of Investec plc to fix their remuneration

**Special business Investec plc**

To consider and, if deemed fit, to pass with or without modification, the following ordinary and special resolutions of Investec plc

**34 Ordinary resolution Investec plc Directors' authority to allot shares and other securities**

**Resolved that**

- the authority conferred on the directors of Investec plc by paragraph 12.2 of Article 12 of Investec plc's Articles of Association be renewed for the period ending on the date of the Annual General Meeting of Investec plc to be held in 2010 and for such period the Section 80 of the Companies Act 1985 amount shall be £915 243 (nine hundred and fifteen thousand two hundred and forty three Pounds Sterling)

The Articles of Association of Investec plc permit the directors of Investec plc to allot shares and other securities in accordance with Section 80 of the Companies Act 1985 up to an amount authorised by the shareholders in general meeting. The authority conferred on the directors at Investec plc's Annual General Meeting held on 7 August 2008 expires on the date of the forthcoming Annual General Meeting of Investec plc convened for 13 August 2009 and the directors of Investec plc recommend that this authority be renewed

Resolution no 34 will, if passed, authorise the directors of Investec plc to allot Investec plc's unissued shares up to a maximum nominal amount of £915 243 (nine hundred and fifteen thousand two hundred and forty three Pounds Sterling) as set out in the table below

|                                                                                                                  | Number of shares | Relative part of Section 80 amount | Total                 |
|------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------|-----------------------|
| Ordinary shares <sup>1</sup>                                                                                     | 148 982 054      | £29 796                            | £915 243 <sup>3</sup> |
| Special converting shares <sup>2</sup>                                                                           | 181 290 334      | £36 258                            |                       |
| Non-redeemable, non-cumulative, non-participating preference shares ("perpetual preference shares") <sup>2</sup> | 84 918 851       | £849 189                           |                       |

- 1 One third of the issued ordinary share capital in line with that normally adopted by UK companies
- 2 Based on 100% (one hundred per cent) of the number of unissued shares. The special converting shares are required by the Dual Listing Companies structure and agreements to reflect the number of ordinary shares issued by Investec Limited at any time and from time to time. The issue of perpetual shares is non-dilutive to ordinary shareholders
- 3 This amount is higher than the one third of issued ordinary share capital limit normally adopted by UK companies at their Annual General Meetings only due to the inclusion of the special converting shares and perpetual preference shares as noted in no 2 above, neither of which are dilutive to ordinary shareholders. While the authority to allot shares to the value of £915 243 (nine hundred and fifteen thousand two hundred and forty three Pounds Sterling) is given in respect of all of the relevant securities of Investec plc as required by the Companies Act 1985, the directors of Investec plc would ensure that the shares of each class listed in the above table allotted by them would not be in excess of the amount listed in the column entitled "Relative part of Section 80 amount" for each such class of shares
- 4 As of 12 June 2009 (the latest practicable date prior to publication of this notice), Investec plc holds 0 (zero) treasury shares



35 Special resolution no 10 Investec plc Directors' authority to allot ordinary shares for cash

Resolved that

- subject to the passing of resolution no 34 the power conferred on the directors of Investec plc by paragraph 12.4 of Article 12 of Investec plc's Articles of Association be renewed for the period referred to in resolution no 34 and for such period the Section 89 of the Companies Act 1985 amount shall be £4 469 (four thousand four hundred and sixty nine Pounds Sterling)

The purpose of special resolution no 10 is to renew the authority of the directors of Investec plc to allot equity securities for cash otherwise than to shareholders in proportion to existing holdings. In the case of allotments other than rights issues, the authority is limited to equity securities up to an aggregate nominal value of £4 469 (four thousand four hundred and sixty nine Pounds Sterling) which represents approximately 5% (five per cent) of the total issued ordinary share capital of Investec plc as at 12 June 2009 (being the last practicable date prior to publication of this notice). The authority will expire at the end of the next Annual General Meeting of Investec plc to be held in 2010 or, if earlier, 15 (fifteen) months after the passing of this special resolution no 10.

If resolution no 18 and special resolution no 10 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total issued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines.

The directors also confirm that pursuant to the Dual Listed Companies structure, the exercise of any such authority would be subject to the following specific limitations as required by the Listings Requirements of the JSE Limited ("JSE Listings Requirements")

- (i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec plc or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec plc convened for 13 August 2009, whichever period is shorter
- (ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue
- (iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible
- (iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc and
- (v) the equity securities/shares must be issued to public shareholders and not to related parties

In order for special resolution no 10 to be given effect to a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc and Investec Limited must be cast in favour of special resolution no 10.

36 Special resolution no 11 Investec plc Directors' authority to purchase ordinary shares

Resolved that

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of Section 166 of the Companies Act 1985 (the "1985 Act") to make market purchases (as defined in Section 163 of the 1985 Act) of ordinary shares in the capital of Investec plc provided that

- (i) the maximum aggregate number of ordinary shares which may be purchased is 44 694 616 (forty four million six hundred and ninety four thousand six hundred and sixteen) ordinary shares of £0.0002 each
- (ii) the minimum price which may be paid for each ordinary share is its nominal value of such share at the time of purchase
- (iii) the maximum price which may be paid for any ordinary share is an amount equal to 105% (one hundred and five per cent) of the average of the middle market quotations of the ordinary shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased and
- (iv) this authority shall expire at the conclusion of the Annual General Meeting of Investec plc to be held in 2010, or if earlier, 15 (fifteen) months from the date on which this resolution is passed (except in relation to the purchase of ordinary shares, the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to that time

The directors of Investec plc consider it may, in certain circumstances, be in the best interests of shareholders generally for Investec plc to purchase its own ordinary shares. Accordingly, the purpose and effect of special resolution no 11 is to grant a general authority, subject to the specified limits, to Investec plc to acquire ordinary shares of Investec plc.

As of 12 June 2009 (the latest practicable date prior to publication of this notice), there were options outstanding over 32 330 013 (thirty two million three hundred and thirty thousand and thirteen) ordinary shares, representing 7.2% (seven point two per cent) of Investec plc's issued ordinary share capital at that date. If the authority to buy back shares under this special resolution no 11 was exercised in full, the total number of options to subscribe for ordinary shares would represent 8% (eight per cent) of Investec plc's issued ordinary share capital.

The Companies Act 1985 permits Investec plc to purchase its own ordinary shares to be held in treasury, with a view to possible resale at a future date

The directors of Investec plc have no present intention of making any purchases, but believe that Investec plc should retain the flexibility to take further action if future purchases were considered desirable and in the best interest of shareholders. If Investec plc were to purchase shares under the Companies Act 1985 they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury, provided that the number of shares held in treasury at any one time does not exceed 10% (ten per cent) of Investec plc's issued ordinary share capital. The authority will be exercised only if the directors of Investec plc believe that to do so would result in an increase of earnings per ordinary share and would be in the interests of shareholders generally or, in the case of the creation of treasury shares, that to do so would be in the best interests of shareholders generally.

In order for special resolution no. 11 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of special resolution no. 11.

**37 Ordinary resolution Investec plc Political donations**

Resolved that

- in accordance with section 366 of the Companies Act 2006 (the "2006 Act"), Investec plc and any company which, at any time during the period for which this resolution has effect, is a subsidiary of Investec plc, be and are hereby authorised to
  - (i) make donations to political organisations not exceeding £25 000 (twenty five thousand Pounds Sterling) in total and
  - (ii) incur political expenditure not exceeding £75 000 (seventy five thousand Pounds Sterling) in total

In each case during the period commencing on the date of this resolution and ending on the date of the Annual General Meeting of Investec plc to be held in 2010, provided that the maximum amounts referred to in (i) and (ii) may consist of sums in any currency converted into Pounds Sterling at such rate as Investec plc may in its absolute discretion determine. For the purposes of this resolution, the terms "political donations", "political organisations" and "political expenditure" shall have the meanings given to them in Sections 363 to 365 of the 2006 Act.

The reason for resolution no. 37 is that the 2006 Act requires companies to obtain shareholder approval before they can make donations to EU political organisations or incur EU political expenditure. Investec plc does not give any money for political purposes in the UK nor does it make any donations to EU political organisations or incur EU political expenditure. However, the definitions of political donations and political expenditure used in the 2006 Act are very wide. The authority is a precautionary measure to ensure that Investec plc does not inadvertently breach the 2006 Act.

**38 Ordinary resolution Investec plc Increase in share capital Number of ordinary shares**

Resolved that

- subject to the passing and registering of special resolution no. 3 as contained in the Investec Limited Notice of Annual General Meeting convened for 13 August 2009, the number of ordinary shares in the authorised capital of Investec plc be and is hereby increased to 700 000 000 (seven hundred million) by the creation of 140 000 000 (one hundred and forty million) new ordinary shares of £0.0002 each in the authorised share capital of Investec plc.

The reason for and effect of resolution no. 38 is to increase the number of ordinary shares in the authorised share capital of Investec plc. Prior to the passing of this resolution no. 38, Investec plc has issued approximately 80% (eighty per cent) of its authorised share capital.

**39 Ordinary resolution Investec plc Increase in share capital Number of special converting shares**

Resolved that

- subject to the passing and registering of special resolution no. 2 as contained in the Investec Limited Notice of Annual General Meeting convened for 13 August 2009, the number of special converting shares of £0.0002 in the authorised share capital of Investec plc be and is hereby increased to 450 000 000 (four hundred and fifty million) by the creation of 150 000 000 (one hundred and fifty million) new special converting shares of £0.0002 each in the authorised share capital of Investec plc.

The reason and effect of resolution no. 39 is to increase the number of authorised special converting shares in the authorised share capital of Investec plc in order to align them with the authorised ordinary share capital of Investec Limited thereby complying with the Dual Listed Companies agreements in place between Investec plc and Investec Limited.



40 Special resolution no 12 Investec plc Amendments to the Articles of Association

Resolved that

- with effect from 13 August 2009, the Articles of Association of Investec plc which were produced to the meeting and initialed by the Chairman for the purposes of identification as New Articles 'A' be and are hereby adopted as the new Articles of Association of Investec plc ('New Articles'), in substitution for and to the exclusion of all existing Articles of Association

The reason for and effect of special resolution no 12 is to amend and replace the Articles of Association of Investec plc in part in response to the provisions of the UK Companies Act 2006

The Articles of Association of Investec plc and Investec Limited are broadly identical the differences being due to variances in applicable law in South Africa and the UK

The main amendments to the Investec plc Articles of Association are as follows

- (i) redraft of provision relating to the timing for deposit of form of proxy
- (ii) definition of "Extraordinary General Meetings" removed and replaced with "Annual and General Meetings"
- (iii) Annual General Meetings must now be held within six months of the financial year end
- (iv) to enable proxies to speak at Annual and General Meetings if duly appointed and
- (v) on a show of hands every member being an individual who is present in person or by proxy, or if a body corporate represented shall have one vote

In order for special resolution no 12 to be passed a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of special resolution no 12

The directors of Investec plc consider that the proposed resolutions in the notice of the Annual General Meeting are in the best interests of Investec plc and its shareholders and recommends that you vote in favour as the directors of Investec plc intend to do in respect of their own beneficial holdings

By order of the board



David Miller  
Company Secretary

15 June 2009

Registered No 3633621

Registered Office  
2 Gresham Street  
London  
EC2V 7QP

Notes

- 1 All of the above resolutions are Joint Electorate Actions under the Articles of Association of Investec plc and, accordingly both the holders of ordinary shares in Investec plc and the holder of the special voting share in Investec plc are entitled to vote. Voting will be on a poll which will remain open for sufficient time to allow the Investec Limited Annual General Meeting to be held and for the votes of the holder of the Investec plc special voting share to be ascertained and cast on a poll
- 2 On the poll
  - (a) each fully paid ordinary share in Investec plc (other than those subject to voting restrictions) will have 1 (one) vote
  - (b) the holder of the Investec plc special voting share will cast the same number of votes as were validly cast for and against the equivalent resolution by Investec Limited shareholders on the poll at the Investec Limited Annual General Meeting
  - (c) the holder of the Investec plc special voting share will be obliged to cast these votes for and against the relevant resolutions in accordance with the votes cast for and against the equivalent resolution by Investec Limited shareholders on the poll at the Investec Limited Annual General Meeting
  - (d) through this mechanism, the votes of the Investec Limited ordinary shareholders at the Investec Limited Annual General Meeting will be reflected at Investec plc's Annual General Meeting in respect of each Joint Electorate Action and
  - (e) the results of the Joint Electorate Action will be announced after both polls have closed
- 3 A member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more persons as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting provided that if more than one proxy is appointed by a member, each proxy is appointed to exercise the rights attached to different shares held by that shareholder. A proxy need not be a member of Investec plc or Investec Limited

- 4 A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 ("nominated persons"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.
- 5 To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it was executed (or a duly certified copy of any such power or authority) must be returned so as to reach Investec plc's registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than 48 (forty eight) hours before the time for holding the meeting or adjourned meeting.
- 6 Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to Investec plc's register of members at 11.00 (UK time) on 11 August 2009 or, if the meeting is adjourned, 48 (forty eight) hours before the time fixed for the adjourned meeting, as the case may be.
- 7 In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting, but the corporate representative has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to in the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed.
- 8 Copies of Investec plc's new Articles of Association are available for inspection at Investec plc and Investec Limited's registered offices during business hours on any weekday (Saturdays, Sundays and any public holidays excluded) from the date of this notice until the close of Investec plc and Investec Limited's Annual General Meeting to be convened on 13 August 2009 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting.
- 9 Copies of the non-executive directors' terms and conditions of appointment are available for inspection at Investec plc and Investec Limited's registered offices during business hours on any weekday (Saturdays, Sundays and any public holidays excluded) from the date of this notice until the close of Investec plc and Investec Limited's Annual General Meeting to be convened on 13 August 2009 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting.
- 10 As of 12 June 2009 (the latest practicable date prior to publication of this notice) Investec plc's issued capital consists of 446 946 162 (four hundred and forty six million nine hundred and forty six thousand one hundred and sixty two) ordinary shares of £0.0002 each. Investec plc holds 0 (zero) ordinary shares in treasury and therefore the total number of voting rights in Investec plc is 446 946 162 (four hundred and forty six million nine hundred and forty six thousand one hundred and sixty two).
- 11 As of 12 June 2009 (the latest practicable date prior to publication of this notice) Investec Limited's issued capital consists of 268 709 666 (two hundred and sixty eight million seven hundred and nine thousand six hundred and sixty six) ordinary shares of R0.0002 each. Investec Limited holds 25 298 959 (twenty five million two hundred and ninety eight thousand nine hundred and fifty nine) ordinary shares in treasury and therefore the total number of voting rights in Investec Limited is 243 410 707 (two hundred and forty three million four hundred and ten thousand seven hundred and seven).
- 12 Investec plc has issued 1 (one) special voting share and Investec Limited has issued special convertible redeemable preference shares to facilitate joint voting by shareholders of Investec plc and Investec Limited on joint electorate actions. As of 12 June 2009 (the latest practicable date prior to publication of this notice) the combined total number of voting rights of Investec plc and Investec Limited is 690 356 869 (six hundred and ninety million three hundred and fifty six thousand eight hundred and sixty nine).



Investec Limited  
(Reg No 1925/002833/06)  
Share Code INL ISIN ZAE000081949

## Notice of Annual General Meeting of Investec Limited

Notice is hereby given that the Annual General Meeting of Investec Limited will be held at 12 00 (South African time) on Thursday, 13 August 2009, at the registered office of Investec Limited at 100 Grayston Drive, Sandown, Sandton, 2196, to transact the following business

### Common business Investec plc and Investec Limited

To consider and if deemed fit to pass, with or without modification, the following ordinary resolutions of Investec plc and Investec Limited

- 1 To re-elect Samuel Ellis Abrahams as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 2 To re-elect Hugh Sidney Herman as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 3 To re-elect Ian Robert Kantor as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 4 To re-elect Stephen Koseff as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 5 To re-elect Sir David Prosser as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited
- 6 To re-elect Peter Richard Suter Thomas as a director of Investec plc and Investec Limited in accordance with the provisions of the Articles of Association of Investec plc and Investec Limited

For brief biographical details of the directors to be re-elected, please refer to pages 219 to 222 of the Annual Report of Investec plc/ Investec Limited

In accordance with corporate governance best practice, all non-executive directors who have served on the board for nine years or more are required to seek re-election on an annual basis. This requirement is entrenched in the Articles of Association of both Investec plc and Investec Limited

### 7 Directors' authority to take action in respect of the resolutions

#### Resolved that

- any director or the company secretaries of Investec plc and Investec Limited, be and they are hereby authorised to do all things and sign all documents which may be necessary to carry into effect the resolutions contained in this notice to the extent the same have been passed and, where applicable, registered

### Ordinary business Investec Limited

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

- 8 To receive and adopt the audited financial statements of Investec Limited for the year ended 31 March 2009, together with the reports of the directors of Investec Limited and of the auditors of Investec Limited
- 9 To determine, ratify and approve the remuneration of the directors of Investec Limited for the year ended 31 March 2009
- 10 To sanction the interim dividend paid by Investec Limited on the ordinary shares in Investec Limited for the 6 (six) month period ended 30 September 2008
- 11 To sanction the interim dividend paid by Investec Limited on the dividend access (South African Resident) redeemable preference share ("SA DAS share") for the 6 (six) month period ended 30 September 2008
- 12 Subject to the passing of resolution no. 32, to declare a final dividend on the ordinary shares and the dividend access (South African resident) redeemable preference share ("SA DAS share") in Investec Limited for the year ended 31 March 2009 of an amount equal to that recommended by the directors of Investec Limited
- 13 To re-appoint Ernst & Young Inc. of Ernst & Young House, Wanderers Office Park, 52 Corlett Drive, Illovo, 2196 South Africa (Private Bag X14, Northlands, 2116 South Africa) as joint auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2010 and to authorise the directors of Investec Limited to fix their remuneration
- 14 To re-appoint KPMG Inc. of 85 Empire Road, Parktown, 2193 South Africa (Private Bag 9, Parkview, 2122 South Africa) as joint auditors of Investec Limited to hold office until the conclusion of the Annual General Meeting of Investec Limited to be held in 2010 and to authorise the directors of Investec Limited to fix their remuneration

Special business Investec Limited

To consider and if deemed fit to pass, with or without modification, the following ordinary and special resolutions of Investec Limited

15 Ordinary resolution Investec Limited Placing 5% of the unissued ordinary shares under the control of the directors

Resolved that

- with reference to the authority granted to directors in terms of Article 12 of the Articles of Association of Investec Limited (a) unless and until such date that special resolution no 2 becomes effective, 1 564 516 (one million five hundred and sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each being 5% (five per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited or (b) from the date on which special resolution no 2 becomes effective 9 064 516 (nine million sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each being 5% (five per cent) of the unissued ordinary shares in the authorised share capital of Investec Limited

be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2010, subject to the provisions of the SA Act, the South African Banks Act, No 94 of 1990, as amended and the Listings Requirements of the JSE Limited

16 Ordinary resolution Investec Limited Placing 5% of the unissued class "A" variable rate compulsorily convertible non-cumulative preference shares under the control of the directors

Resolved that

- with reference to the authority granted to directors in terms of Article 12 of the Articles of Association of Investec Limited a total of 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares ("class "A" preference shares") of R0 0002 each, being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act, No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2010, subject to the provisions of the SA Act, the South African Banks Act, No 94 of 1990, as amended and the Listings Requirements of the JSE Limited

17 Ordinary resolution Investec Limited Placing the remaining unissued shares, being the variable rate cumulative redeemable preference shares, the non-redeemable, non-cumulative, non-participating preference shares and the special convertible redeemable preference shares under the control of the directors

Resolved that

- with reference to the authority granted to directors in terms of Article 12 of the Articles of Association of Investec Limited, all the unissued shares in the authorised share capital of Investec Limited, excluding the ordinary shares and the class "A" variable rate compulsorily convertible non-cumulative preference shares, be and are hereby placed under the control of the directors of Investec Limited as a general authority in terms of Section 221 of the South African Companies Act No 61 of 1973, as amended, (the "SA Act") who are authorised to allot and issue the same at their discretion until the next Annual General Meeting of Investec Limited to be held in 2010, subject to the provisions of the SA Act, the South African Banks Act No 94 of 1990, as amended and the Listings Requirements of the JSE Limited These preference shares if issued, are non-dilutive to ordinary shareholders

18 Ordinary resolution with a 75% majority Investec Limited Directors' authority to allot and issue ordinary shares for cash in respect of 5% of the unissued ordinary shares

Resolved that

- subject to the passing of resolution no 15, the Listings Requirements of the JSE Limited ("JSE Listing Requirements"), the South African Banks Act, No 94 of 1990, as amended and the South African Companies Act, No 61 of 1973, as amended, the directors of Investec Limited be and they are hereby authorised to allot and issue (a) unless and until such date that special resolution no 2 becomes effective, 1 564 516 (one million five hundred and sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each or (b) from the date on which special resolution no 2 becomes effective, 9 064 516 (nine million sixty four thousand five hundred and sixteen) ordinary shares of R0 0002 each

for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE Listings Requirements

- (i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec Limited to be held in 2010 or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 13 August 2009, whichever period is shorter
- (ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue
- (iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible

- (iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and
- (v) the ordinary shares must be issued to public shareholders, as defined in the JSE Listing Requirements, and not to related parties

The directors are seeking an authority to allot up to 5% (five per cent) of the number of unissued ordinary shares for cash which represents 0.582% (zero point five eight two per cent) until special resolution no. 2 becomes effective and 3.373% (three point three seven per cent) thereafter of the number of issued ordinary shares which is significantly lower than the 15% (fifteen per cent) permitted in terms of the JSE Listing Requirements

If resolution no. 18 and resolution no. 35 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total issued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines.

In terms of the JSE Listing Requirements, in order for resolution no. 18 to be given effect to, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 18.

**19 Ordinary resolution with a 75% majority Investec Limited Directors' authority to allot and issue class "A" variable rate compulsorily convertible non-cumulative preference shares for cash**

**Resolved that**

- subject to the passing of resolution no. 16, the Listings Requirements of the JSE Limited ("JSE Listing Requirements"), the South African Banks Act, No. 94 of 1990 as amended and the South African Companies Act No. 61 of 1973, as amended the directors of Investec Limited be and they are hereby authorised to allot and issue 2 000 000 (two million) class "A" variable rate compulsorily convertible non-cumulative preference shares ("class "A" preference shares") of R0.0002 each being 5% (five per cent) of the unissued class "A" preference shares in the authorised share capital of Investec Limited for cash as and when suitable situations arise, subject to the following specific limitations as required by the JSE Listings Requirements
  - (i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec Limited to be held in 2010 or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec Limited convened for 13 August 2009, whichever period is shorter
  - (ii) a paid press announcement giving full details including the impact on net asset value and earnings per class "A" preference share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year 5% (five per cent) or more of the number of class "A" preference shares in issue prior to such issue
  - (iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of class "A" preference shares in issue
  - (iv) in determining the price at which an allotment and issue of class "A" preference shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the class "A" preference shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec Limited and
  - (v) the class "A" preference shares must be issued to public shareholders, as defined in the JSE Listing Requirements, and not to related parties

If resolution no. 19 is passed, the directors will have authority to allot up to 2 000 000 (two million) class "A" preference shares for cash other than by way of rights issue in respect of Investec Limited, being equivalent to 5% (five per cent) of the unissued class "A" preference shares

In terms of the JSE Listing Requirements, in order for resolution no. 19 to be given effect to, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc and Investec Limited must be cast in favour of resolution no. 19.

**20 Special resolution no. 1 Investec Limited Directors' authority to acquire ordinary shares and perpetual preference shares**

**Resolved that**

- in terms of Article 9 of the Articles of Association of Investec Limited and with effect from 13 August 2009, Investec Limited hereby approves, as a general approval contemplated in Sections 85 to 89 (both inclusive) of the South African Companies Act, No. 61 of 1973, as amended (the "SA Act"), the acquisition by Investec Limited or any of its subsidiaries from time to time of the issued ordinary shares and non-redeemable, non-cumulative, non-participating preference shares (the "perpetual preference shares") of Investec Limited, upon such terms and conditions and in such amounts as the directors of Investec Limited or its subsidiaries may from time to time decide, but subject to the provisions of the South African Banks Act, No. 94 of 1990, as amended, the SA Act and the Listings Requirements of the JSE Limited (the "JSE" and the "JSE Listing Requirements"), being, inter alia that

- (i) any such acquisition of ordinary shares or perpetual preference shares shall be effected through the order book operated by the JSE trading system and done without any prior understanding or arrangement
- (ii) this general authority shall be valid until Investec Limited's next Annual General Meeting to be held in 2010, or for 15 (fifteen) months from the date of the passing of this special resolution no. 1, whichever is the shorter period
- (iii) an announcement containing full details of such acquisitions will be published as soon as Investec Limited or any of its subsidiaries has acquired ordinary shares or perpetual preference shares constituting on a cumulative basis, 3% (three per cent) of the number of ordinary shares or perpetual preference shares in issue, as the case may be, prior to the acquisition pursuant to which the aforesaid 3% (three per cent) threshold is reached and for each 3% (three per cent) in aggregate acquired thereafter
- (iv) acquisitions of shares in aggregate in any 1 (one) financial year may not exceed 20% (twenty per cent) of Investec Limited's issued ordinary share capital or Investec Limited's issued perpetual preference share capital as at the date of passing of this special resolution no. 1
- (v) in determining the price at which ordinary shares or perpetual preference shares issued by Investec Limited are acquired by it or any of its subsidiaries in terms of this general authority, the maximum premium at which such ordinary shares or perpetual preference shares, as the case may be, may be acquired will be 10% (ten per cent) of the weighted average of the market value at which such ordinary shares or perpetual preference shares, as the case may be, are traded on the JSE as determined over the 5 (five) business days immediately preceding the date of acquisition of such ordinary shares or perpetual preference shares, as the case may be, by Investec Limited or any of its subsidiaries
- (vi) at any point in time, Investec Limited may only appoint 1 (one) agent to effect any acquisition on Investec Limited's behalf
- (vii) Investec Limited remaining in compliance with the minimum shareholder spread requirements of the JSE Listings Requirements and
- (viii) Investec Limited and/or its subsidiaries not acquiring any shares during a prohibited period as defined by the JSE Listings Requirements

The reason for and effect of special resolution no. 1 is to grant a renewable general authority to Investec Limited or a subsidiary of Investec Limited, to acquire ordinary shares and perpetual preference shares of Investec Limited which are in issue from time to time in terms of the SA Act and the JSE Listings Requirements

The directors of Investec Limited have no present intention of making any acquisition but believe that Investec Limited should retain the flexibility to take action if future acquisitions are considered desirable and in the best interests of shareholders. The directors of Investec Limited are of the opinion that, after considering the effect of such acquisition of ordinary shares and perpetual preference shares if implemented and on the assumption that the maximum of 20% (twenty per cent) of the current issued ordinary share capital or perpetual preference share capital of Investec Limited will be acquired, using the mechanism of the general authority at the maximum price at which the acquisition may take place (a 10% (ten per cent) premium above the weighted average of the market value for the securities for the 5 (five) business days immediately preceding the date of the acquisition) and having regard to the price of the ordinary shares or perpetual preference shares of Investec Limited on the JSE at the last practical date prior to the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009 that

- Investec Limited and its subsidiaries will be able, in the ordinary course of business, to pay its debt for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009
- the consolidated assets of Investec Limited and its subsidiaries, fairly valued in accordance with General Accepted Accounting Practice, will be in excess of the consolidated liabilities of Investec Limited and its subsidiaries for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009
- Investec Limited and its subsidiaries will have adequate capital and reserves for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009 and
- the working capital of Investec Limited and its subsidiaries will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of Annual General Meeting of Investec Limited convened for 13 August 2009

#### Litigation statement

In terms of section 11.26 of the JSE Listings Requirements, the directors, whose names appear on pages 219 to 222 of the 2009 Annual Report, are not aware of any legal or arbitration proceedings that are pending or threatened, that may have or have had in the recent past, being at least the previous 12 (twelve) months, a material effect on Investec Limited and its subsidiaries' financial position, other than disclosed in the notes to the financial statements

#### Directors' responsibility statement

The directors, whose names appear on pages 219 to 222 of the 2009 Annual Report, collectively and individually accept full responsibility for the accuracy of the information pertaining to this special resolution and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that the special resolution contains all information

#### Material changes

Other than the facts and developments reported on in the 2009 Annual Report, there have been no material changes in the affairs or financial position of Investec Limited and its subsidiaries since the date of signature of the audit report and up to the date of this notice





The following additional information, some of which may appear elsewhere in the 2009 Annual Report is provided in terms of the JSE Listings Requirements for purposes of the general authority

- Directors and management – Annual Report pages 219 to 225,
- Major beneficial shareholders – Annual Report page 216,
- Directors' interests in ordinary shares – Annual Report page 201
- Share capital of Investec Limited – Annual Report pages 299 to 301

**21 Special resolution no 2 Investec Limited Increase in share capital Number of ordinary shares**

**Resolved that**

- subject to the passing of resolution no 39 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, in terms of Section 75(1)(e) of the Companies Act Act No 61 of 1973 as amended (the "SA Act"), Article 7 of the Articles of Association of Investec Limited and, with effect from 13 August 2009, the number of ordinary shares in the authorised share capital of Investec Limited be and is hereby increased to 450 000 000 (four hundred and fifty million) by the creation of 150 000 000 (one hundred and fifty million) new ordinary shares of R0 0002 each in the authorised share capital of Investec Limited

The reason for and effect of special resolution no 2 is to increase the number of ordinary shares in the authorised share capital of Investec Limited Prior to the passing of this special resolution no 2 Investec Limited has issued approximately 90% (ninety per cent) of its authorised ordinary share capital

**22 Special resolution no 3 Investec Limited Increase in share capital Number of special convertible redeemable preference shares**

**Resolved that**

- subject to the passing of resolution no 38 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009 in terms of Section 75(1)(e) of the Companies Act Act No 61 of 1973, as amended (the "SA Act"), Article 7 of the Articles of Association of Investec Limited and with effect from 13 August 2009, the number of special convertible redeemable preference shares in the authorised share capital of Investec Limited be and is hereby increased to 700 000 000 (seven hundred million) by the creation of 140 000 000 (one hundred and forty million) special convertible redeemable preference shares of R0 0002 each in the authorised share capital of Investec Limited

The reason for and effect of special resolution no 3 is to increase the number of authorised special convertible redeemable preference shares in the authorised share capital of Investec Limited in order to align them with the authorised ordinary share capital of Investec plc, thereby complying with the Dual Listed Companies agreements in place between Investec plc and Investec Limited

**23 Special resolution no 4 Investec Limited Amendment to Memorandum of Association**

**Resolved that**

- subject to the passing and registration of the above special resolution nos 2 and 3 and the passing of resolution nos 38 and 39 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, in terms of Section 56(4) of the Companies Act, Act No 61 of 1973, as amended, (the "SA Act"), Article 149 of the Articles of Association of Investec Limited and with effect from 13 August 2009, the Memorandum of Association of Investec Limited be amended by the deletion of the entire paragraph 8(a) and the substitution thereof with the following new paragraph 8(a)

**"8(a) Par value**

The share capital of Investec Limited is R1 268 002 00 (one million two hundred and sixty-eight thousand and two rand) divided into

- (i) 450 000 000 (four hundred and fifty million) ordinary shares of R0 0002 each
- (ii) 40 000 000 (forty million) class "A" variable rate compulsorily convertible non-cumulative preference shares of R0 0002 each
- (iii) 50 000 (fifty thousand) variable rate cumulative redeemable preference shares of R0 60 each
- (iv) 100 000 000 (one hundred million) non-redeemable non-cumulative, non-participating preference shares of R0 01 each
- (v) 1 (one) dividend access (South Africa Resident) redeemable preference share of R1 00
- (vi) 1 (one) dividend access (non-South African Resident) redeemable preference share of R1 00
- (vii) 700 000 000 (seven hundred million) special convertible redeemable preference shares of R0 0002 each "

The reason for and effect of special resolution no 4 is to amend the Memorandum of Association of Investec Limited to correctly reflect the new authorised share capital of Investec Limited

**24 Special resolution no 5 Investec Limited Amendment to Articles of Association Annual and General Meetings**

**Resolved that**

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, the Articles of Association of Investec Limited be amended by the deletion of the current Article 47 and the insertion of the following new Article 47  
 "47 Annual and General Meetings  
 An Annual General Meeting shall be held once in every year, at such time within a period of not more than six months from the day following the company's financial year end and not more than fifteen months after the holding of the last preceding Annual General Meeting at a place as may be determined by the directors. All other meetings shall be called General Meetings."

The reason for and effect of special resolution no 5 is to align the Articles of Association of Investec Limited to those of Investec plc in accordance with the Dual Listed Companies agreements

**25 Special resolution no 6 Investec Limited Amendment to Articles of Association Contents of Notice of General Meetings**

**Resolved that**

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, the Articles of Association of Investec Limited be amended by the deletion of the current Article 50 1 and the substitution thereof with the following new Article 50 1  
 "50 1 Every notice calling a General Meeting shall specify the place and the day and hour of the meeting and there shall appear, with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint a proxy or proxies to attend, speak and vote instead of him on a poll or a show of hands and that a proxy need not be a member of the company"

The reason for and effect of special resolution no 6 is to align the Articles of Association of Investec Limited to those of Investec plc in accordance with the Dual Listed Companies agreements

**26 Special resolution no 7 Investec Limited Amendment to Articles of Association Votes attaching to shares**

**Resolved that**

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, the Articles of Association of Investec Limited be amended by the deletion of the current Article 63 1 (a) and the substitution thereof with the following new Article 63 1 (a)  
 "63 Votes attaching to shares  
 63 1 (a) on a show of hands every member being an individual who is present in person or by proxy, or if a body corporate, represented, shall have one vote, and"

The reason for and effect of special resolution no 7 is to align the Articles of Association of Investec Limited to those of Investec plc, in accordance with the Dual Listed Companies agreements

**27 Special resolution no 8 Investec Limited Amendment to Articles of Association Timing for the deposit of form of proxy**

**Resolved that**

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, the Articles of Association of Investec Limited be amended by the deletion of the current Article 72 and the substitution thereof with the following new Article 72  
 "72 Deposit of form of proxy  
 72 1 Validly completed proxy appointments will be accepted at the address specified for that purpose in or by way of note to or in any document accompanying the notice convening the meeting or, if no address is so specified, at the transfer office if the proxy appointment is received  
 (a) in the case of a meeting or adjourned meeting, not less than 48 (forty eight) hours before the time appointed for the commencement of the meeting or adjourned meeting and  
 (b) in the case of a poll taken more than 48 (forty eight) hours after it was demanded, not less than 24 (twenty four) hours before the time appointed for taking the poll  
 and in default shall not be treated as valid, unless it is accepted by the Chairman of the meeting to which the proxy appointment relates, or unless the directors give notice that proxy appointments will be accepted up until a date or time closer to the appointed time of the meeting, adjourned meeting or poll  
 72 2 A proxy received from the holder of the Limited special convertible redeemable preference shares will be valid if it is received before the closing of the poll to which it relates. The instrument shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates. An instrument of proxy relating to more than one meeting, including any adjournment thereof, having once been so delivered for the purposes of any meeting shall not require again to be delivered for the purposes of any subsequent meeting to which it relates"

The reason for and effect of special resolution no 8 is to record the period in which a form of proxy must be deposited before the time appointed for a General or an Annual General Meeting, thereby aligning the Articles of Association of Investec Limited to those of Investec plc, in accordance with the Dual Listed Companies agreements



**28 Special resolution no 9 Investec Limited Amendment to Articles of Association Rights of proxy**

**Resolved that**

- subject to the passing of special resolution no 12 as contained in the Investec plc notice of Annual General Meeting convened for 13 August 2009, the Articles of Association of Investec Limited be amended by the deletion of the current Article 73 and the substitution thereof with the following new Article 73

**"73 Rights of proxy**

A proxy shall have the right to exercise all or any of the rights of his appointer, or (where more than one proxy is appointed) all or any of the rights attached to the shares in respect of which he is appointed the proxy to attend, speak and vote at a meeting of the company. Unless his appointment provides otherwise, a proxy may vote or abstain at his discretion on any resolution put to the vote at the meeting to which his appointment relates."

The reason for and effect of special resolution no 9 is to align the Articles of Association of Investec Limited to those of Investec plc, in accordance with the Dual Listed Companies agreements

**Ordinary business Investec plc**

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

- 29 To receive and adopt the audited financial statements of Investec plc for the year ended 31 March 2009, together with the reports of the directors of Investec plc and of the auditors of Investec plc
- 30 To approve the remuneration report of Investec plc for the year ended 31 March 2009
- 31 To sanction the interim dividend paid by Investec plc on the ordinary shares in Investec plc for the 6 (six) month period ended 30 September 2008
- 32 Subject to the passing of resolution no 12, to declare a final dividend on the ordinary shares in Investec plc for the year ended 31 March 2009 of an amount equal to that recommended by the directors of Investec plc
- 33 To re-appoint Ernst & Young LLP of 1 More London Place London SE1 2AF, as auditors of Investec plc to hold office until the conclusion of the Annual General Meeting of Investec plc to be held in 2010 and to authorise the directors of Investec plc to fix their remuneration

**Special business Investec plc**

To consider and, if deemed fit, to pass, with or without modification, the following resolutions of Investec plc

**34 Ordinary resolution Investec plc Directors' authority to allot shares and other securities**

**Resolved that**

- the authority conferred on the directors of Investec plc by paragraph 12.2 of Article 12 of Investec plc's Articles of Association be renewed for the period ending on the date of the Annual General Meeting of Investec plc to be held in 2010 and for such period the Section 80 of the Companies Act 1985 amount shall be £915 243 (nine hundred and fifteen thousand, two hundred and forty three Pounds Sterling)

The Articles of Association of Investec plc permit the directors of Investec plc to allot shares and other securities in accordance with Section 80 of the Companies Act 1985 up to an amount authorised by the shareholders in general meeting. The authority conferred on the directors at Investec plc's Annual General Meeting held on 07 August 2008 expires on the date of the forthcoming Annual General Meeting of Investec plc convened for 13 August 2009 and the directors of Investec plc recommend that this authority be renewed

Resolution no 34 will, if passed, authorise the directors of Investec plc to allot Investec plc's unissued shares up to a maximum nominal amount of £915 243 (nine hundred and fifteen thousand two hundred and forty three Pounds Sterling) as set out in the table below

|                                                                                                                  | Number of shares | Relative part of Section 80 amount | Total                 |
|------------------------------------------------------------------------------------------------------------------|------------------|------------------------------------|-----------------------|
| Ordinary shares <sup>1</sup>                                                                                     | 148 982 054      | £29 796                            | £915 243 <sup>3</sup> |
| Special converting shares <sup>2</sup>                                                                           | 181 290 334      | £36 258                            |                       |
| Non-redeemable, non-cumulative, non-participating preference shares ("perpetual preference shares") <sup>2</sup> | 84 918 851       | £849 189                           |                       |

- 1 One third of the issued ordinary share capital in line with that normally adopted by UK companies
- 2 Based on 100% (one hundred per cent) of the number of unissued shares. The special converting shares are required by the Dual Listed Companies structure and agreements to reflect the number of ordinary shares issued by Investec Limited at any time and from time to time. The issue of perpetual preference shares is non-dilutive to ordinary shareholders
- 3 This amount is higher than the one third of issued ordinary share capital limit normally adopted by UK companies at their Annual General Meetings only due to the inclusion of the special converting shares and perpetual preference shares as noted in no 2 above, neither of which are dilutive to ordinary shareholders. While the authority to allot shares to the value of £915 243 (nine hundred and fifteen thousand two hundred and forty three Pounds Sterling) is given in respect of all of the relevant securities of Investec plc as required by the Companies Act 1985, the directors of Investec plc would ensure that the shares of each class listed in the above table allotted by them would not be in excess of the amount listed in the column entitled "relative part of Section 80 amount" for each such class of shares
- 4 As of 12 June 2009 (the latest practicable date prior to publication of this notice), Investec plc holds 0 (zero) treasury shares
- 35 Ordinary resolution with a 75% majority. Investec plc Directors' authority to allot ordinary shares for cash

**Resolved that**

- subject to the passing of resolution no 34, the power conferred on the directors of Investec plc by paragraph 12.4 of Article 12 of Investec plc's Articles of Association be renewed for the period referred to in resolution no 34 and for such period the Section 89 of the Companies Act, amount shall be £4 469 (four thousand four hundred and sixty nine Pounds Sterling)

The purpose of resolution no 35 is to renew the authority of the directors of Investec plc to allot equity securities for cash otherwise than to shareholders in proportion to existing holdings. In the case of allotments other than rights issues, the authority is limited to equity securities up to an aggregate nominal value of £4 469 (four thousand four hundred and sixty nine Pounds Sterling) which represents approximately 5% (five per cent) of the total issued ordinary share capital of Investec plc as at 12 June 2009 (being the last practicable date prior to publication of this notice). The authority will expire at the end of the next Annual General Meeting of Investec plc to be held in 2010 or, if earlier, 15 (fifteen) months after the passing of this resolution no 35.

If resolution no 18 and resolution no 35 are both passed and, subject to the limits specified in those respective resolutions, the directors will have authority to allot up to 5% (five per cent) of the total issued ordinary share capital of Investec plc and up to 5% (five per cent) of the total issued ordinary share capital of Investec Limited for cash other than by way of rights issue. This complies with the limits set out in the relevant Association of British Insurers guidelines.

The directors also confirm that pursuant to the Dual Listed Companies structure the exercise of any such authority would be subject to the following specific limitations as required by the Listings Requirements of the JSE Limited ("JSE Listings Requirements")

- (i) this authority shall not extend beyond the later of the date of the next Annual General Meeting of Investec plc or the date of the expiry of 15 (fifteen) months from the date of the Annual General Meeting of Investec plc convened for 13 August 2009, whichever period is shorter
- (ii) a paid press announcement giving full details including the impact on net asset value and earnings per ordinary share, will be published at the time of an issue representing, on a cumulative basis within 1 (one) financial year, 5% (five per cent) or more of the number of ordinary shares in issue prior to such issue
- (iii) the issue in the aggregate in any 1 (one) financial year will not exceed 15% (fifteen per cent) of the number of ordinary shares in issue, including instruments which are compulsorily convertible
- (iv) in determining the price at which an allotment and issue of ordinary shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price of the ordinary shares in question as determined over the 30 (thirty) days prior to the date that the price of the issue is determined or agreed by the directors of Investec plc and
- (v) the equity securities/shares must be issued to public shareholders and not to related parties

In order for resolution no 35 to be given effect to a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec plc and Investec Limited must be cast in favour of resolution no 35.

### 36 Ordinary resolution with a 75% majority Investec plc Directors' authority to purchase ordinary shares

#### Resolved that

- Investec plc be and is hereby unconditionally and generally authorised for the purpose of Section 166 of the Companies Act 1985 (the "1985 Act") to make market purchases (as defined in Section 163 of the 1985 Act) of ordinary shares in the capital of Investec plc provided that
  - (i) the maximum aggregate number of ordinary shares which may be purchased is 44 694 616 (forty four million six hundred and ninety four thousand six hundred and sixteen) ordinary shares of £0 0002 each
  - (ii) the minimum price which may be paid for each ordinary share is its nominal value of such share at the time of purchase
  - (iii) the maximum price which may be paid for any ordinary share is an amount equal to 105% (one hundred and five per cent) of the average of the middle market quotations of the ordinary shares of Investec plc as derived from the London Stock Exchange Daily Official List for the 5 (five) business days immediately preceding the day on which such share is contracted to be purchased and
  - (iv) this authority shall expire at the conclusion of the Annual General Meeting of Investec plc to be held in 2010, or if earlier, 15 (fifteen) months from the date on which this resolution is passed (except in relation to the purchase of ordinary shares, the contract for which was concluded before the expiry of such authority and which might be executed wholly or partly after such expiry) unless such authority is renewed prior to that time

The directors of Investec plc consider it may, in certain circumstances, be in the best interests of shareholders generally for Investec plc to purchase its own ordinary shares. Accordingly, the purpose and effect of resolution no. 36 is to grant a general authority, subject to the specified limits, to Investec plc to acquire ordinary shares of Investec plc.

As of 12 June 2009 (the latest practicable date prior to publication of this notice), there were options outstanding over 32 330 013 (thirty two million three hundred and thirty thousand and thirteen) ordinary shares, representing 7.2% (seven point two per cent) of Investec plc's issued ordinary share capital at that date. If the authority to buy back shares under this ordinary resolution no. 36 was exercised in full, the total number of options to subscribe for ordinary shares would represent 8% (eight per cent) of Investec plc's issued ordinary share capital.

The Companies Act 1985 permits Investec plc to purchase its own ordinary shares to be held in treasury, with a view to possible resale at a future date.

The directors of Investec plc have no present intention of making any purchases, but believe that Investec plc should retain the flexibility to take further action if future purchases were considered desirable and in the best interest of shareholders. If Investec plc were to purchase shares under the Companies Act 1985 they will be cancelled or, to the extent determined by the directors of Investec plc, held in treasury, provided that the number of shares held in treasury at any one time does not exceed 10% (ten per cent) of Investec plc's issued ordinary share capital. The authority will be exercised only if the directors of Investec plc believe that to do so would result in an increase of earnings per ordinary share and would be in the interests of shareholders generally or, in the case of the creation of treasury shares, that to do so would be in the best interests of shareholders generally.

In order for resolution no. 36 to be passed, a 75% (seventy five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of resolution no. 36.

### 37 Ordinary resolution Investec plc Political donations

#### Resolved that

- in accordance with Section 366 of the Companies Act 2006 (the "2006 Act") Investec plc and any company which, at any time during the period for which this resolution has effect, is a subsidiary of Investec plc, be and are hereby authorised to
  - (i) make donations to political organisations not exceeding £25 000 (twenty five thousand Pounds Sterling) in total and
  - (ii) incur political expenditure not exceeding £75 000 (seventy five thousand Pounds Sterling) in total,

in each case during the period commencing on the date of this resolution and ending on the date of the Annual General Meeting of Investec plc to be held in 2010, provided that the maximum amounts referred to in (i) and (ii) may consist of sums in any currency converted into Pounds Sterling at such rate as Investec plc may in its absolute discretion determine. For the purposes of this resolution, the terms "political donations", "political organisations" and "political expenditure" shall have the meanings given to them in Sections 363 to 365 of the 2006 Act.

The reason for resolution no. 37 is that the 2006 Act requires companies to obtain shareholder approval before they can make donations to EU political organisations or incur EU political expenditure. Investec plc does not give any money for political purposes in the UK nor does the company make any donations to EU political organisations or incur EU political expenditure. However, the definitions of political donations and political expenditure used in the 2006 Act are very wide. The authority given is a precautionary measure to ensure that Investec plc does not inadvertently breach the 2006 Act.

38 Ordinary resolution Investec plc Increase in share capital Number of ordinary shares

Resolved that

- subject to the passing and registering of special resolution no 3 as contained in the Investec Limited Notice of Annual General Meeting convened for 13 August 2009, the number of ordinary shares of £0 0002 in the authorised capital of Investec plc be and is hereby increased to 700 000 000 (seven hundred million) by the creation of 140 000 000 (one hundred and forty million) new ordinary shares of £0 0002 each in the authorised share capital of Investec plc

The reason for and effect of resolution no 38 is to increase the number of ordinary shares in the authorised share capital of Investec plc. Prior to the passing of this resolution no 38, Investec plc has issued approximately 80% (eighty per cent) of its authorised share capital

39 Ordinary resolution Investec plc Increase in share capital Number of special converting shares

Resolved that

- subject to the passing and registering of special resolution no 2 as contained in the Investec Limited Notice of Annual General Meeting convened for 13 August 2009, the number of special converting shares in the authorised share capital of Investec plc be and is hereby increased to 450 000 000 (four hundred and fifty million) by the creation of 150 000 000 (one hundred and fifty million) new special converting shares of £0 0002 each in the authorised share capital of Investec plc

The reason for and effect of resolution no 39 is to increase the number of authorised special converting shares in the authorised share capital of Investec plc to the authorised ordinary share capital of Investec Limited, thereby complying with the Dual Listed Companies agreements in place between Investec plc and Investec Limited

40 Ordinary resolution with a 75% majority Investec plc Amendments to the Articles of Association

Resolved that

- with effect from 13 August 2009, the Articles of Association of Investec plc which were produced to the meeting and initiated by the Chairman for the purposes of identification as New Articles "A" be and are hereby adopted as the new Articles of Association of Investec plc ("New Articles"), in substitution for and to the exclusion of all existing Articles of Association

The reason for and effect of resolution no 40 is to amend and replace the Articles of Association of Investec plc in part in response to the provisions of the UK Companies Act 2006

The Articles of Association of Investec plc and Investec Limited are broadly identical, the differences being due to variances in applicable law in South Africa and the UK

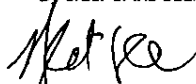
The main amendments to the Investec plc Articles of Association are as follows

- (i) redraft of provision relating to the timing for deposit of form of proxy
- (ii) definition of "Extraordinary General Meetings" removed and replaced with "Annual General Meetings"
- (iii) Annual General Meetings must now be held within six months of the financial year end
- (iv) to enable proxies to speak at Annual and General Meetings if duly appointed and
- (v) on a show of hands every member being an individual who is present in person or by proxy, or if a body corporate, represented, shall have one vote

In order for resolution no 40 to be passed, a 75% (seventy-five per cent) majority of the votes of all members present or represented by proxy at the Annual General Meeting of Investec Limited must be cast in favour of resolution no 40

The directors of Investec Limited consider that the proposed resolutions in the notice of the Annual General Meeting are in the best interests of Investec Limited and its shareholders and recommend that you vote in favour as the directors of Investec Limited intend to do in respect of their own beneficial holdings

By order of the board



Benita Coetsee  
Company Secretary

15 June 2009

Registration No 1925/002833/08

Registered Office  
c/o Company Secretarial  
Investec Limited  
100 Grayston Drive  
Sandown  
Sandton, 2196  
(PO Box 785700, Sandton, 2146)



## Notes

- 1 All of the above resolutions are Joint Electorate Actions under the Articles of Association of Investec Limited and accordingly, both the holders of ordinary shares in Investec Limited and the holders of the special convertible redeemable preference shares in Investec Limited are entitled to vote. Voting will be on a poll which will remain open for sufficient time to allow the Investec plc Annual General Meeting to be held and for the vote of the holder of the Investec Limited special convertible redeemable preference shares to be ascertained and cast on a poll.
- 2 On the poll
  - (a) each ordinary share in Investec Limited (other than those subject to voting restrictions) will have 1 (one) vote
  - (b) the holder of the Investec Limited special convertible redeemable preference shares will cast the same number of votes as were validly cast for and against the equivalent resolution at the Investec plc Annual General Meeting
  - (c) the holder of the Investec Limited special convertible redeemable preference shares will be obliged to cast these votes for and against the relevant resolution in accordance with the votes cast for and against the equivalent resolution by Investec plc shareholders on the poll at the Investec plc Annual General Meeting
  - (d) through this mechanism, the votes of the Investec plc ordinary shareholders at the Investec plc Annual General Meeting will be reflected at Investec Limited's Annual General Meeting in respect of each Joint Electorate Action and
  - (e) the results of the Joint Electorate Actions will be announced after both polls have closed
- 3 A member who is entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more persons as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting provided that, if more than one proxy is appointed by a member, each proxy is appointed to exercise the rights attached to different shares held by that shareholder. A proxy need not be a member of Investec plc or Investec Limited.
- 4 A form of proxy is enclosed. The appointment of a proxy will not prevent a member from subsequently attending and voting at the meeting in person.
- 5 To be effective, the instrument appointing a proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must be deposited at the transfer secretary's office at 70 Marshall Street, Johannesburg, 2001, not less than 48 (forty eight) hours before the time for holding the meeting or adjourned meeting.
- 6 Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to Investec Limited's register of members at 12 00 (South African time) on 11 August 2009 or, if the meeting is adjourned, 48 (forty eight) hours before the time fixed for the adjourned meeting, as the case may be.
- 7 In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the meeting so that:
  - (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as a corporate representative in accordance with those directions; and
  - (ii) if more than one corporate representative for the same corporate shareholder attends the meeting, but the corporate representative has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.
 Corporate shareholders are referred to in the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed.
- 8 Copies of Investec plc's new Articles of Association are available for inspection at Investec plc and Investec Limited's registered office during business hours on any weekday (Saturdays, Sundays and any public holidays excluded) from the date of this notice until the close of Investec plc and Investec Limited's Annual General Meeting to be convened on 13 August 2009 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting.
- 9 Copies of the non-executive directors' terms and conditions of appointment are available for inspection at Investec plc and Investec Limited's registered office during business hours on any weekday (Saturdays, Sundays and any public holidays excluded) from the date of this notice until the close of Investec plc and Investec Limited's Annual General Meeting to be convened on 13 August 2009 and will also be available for inspection at the place of the meeting for 15 (fifteen) minutes before and during the meeting.
- 10 As of 12 June 2009 (the latest practicable date prior to publication of this notice) Investec plc's issued capital consists of 446 946 162 (four hundred and forty six million nine hundred and forty six thousand one hundred and sixty two) ordinary shares of £0.0002 each. Investec plc holds 0 (zero) ordinary shares in treasury and therefore the total number of voting rights in Investec plc is 446 946 162 (four hundred and forty six million nine hundred and forty six thousand one hundred and sixty two).
- 11 As of 12 June 2009 (the latest practicable date prior to publication of this notice) Investec Limited's issued capital consists of 268 709 666 (two hundred and sixty eight million seven hundred and nine thousand six hundred and sixty six) ordinary shares of R0.0002 each. Investec Limited holds 25 298 959 (twenty five million two hundred and ninety eight thousand nine hundred and fifty nine) ordinary shares in treasury and therefore the total number of voting rights in Investec Limited is 243 410 707 (two hundred and forty three million four hundred and ten thousand seven hundred and seven).
- 12 Investec plc has issued 1 (one) special converting share and Investec Limited has issued special convertible redeemable preference shares to facilitate joint voting by shareholders of Investec plc and Investec Limited on joint electorate actions. As of 12 June 2009 (the latest practicable date prior to publication of this notice) the combined total number of voting rights of Investec plc and Investec Limited is 690 356 869 (six hundred and ninety million three hundred and fifty six thousand eight hundred and sixty nine).



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LP 010 508.

# Investec Tier 1 (UK) LP

## Annual Report and Audited Financial Statements

31 March 2009

THESE ACCOUNTS  
FORM PART OF THE  
GROUP FINANCIAL STATEMENTS  
OF COMPANY  
No. 487684

3633621

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## Management and administration

### **General Partner**

Investec plc  
2 Gresham Street  
London EC2V 7QP

### **Initial Limited Partner**

BT Globenet Nominees Limited  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

### **Priority Limited Partner**

Investec Holding Company Limited  
2 Gresham Street  
London EC2V 7QP

### **Administrator**

The Law Debenture Trust Corporation p l c  
Fifth Floor, 100 Wood Street  
London EC2V 7EX

### **Legal advisors to the Partnership**

Linklaters  
One Silk Street  
London EC2Y 8HQ

### **Auditors**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

## The Manager's report

We are pleased to present the Partnership report and financial statements for the year ended 31 March 2009

### Activity

The Partnership was established by Investec plc on 20 June 2005 to raise and provide finance and financial support to Investec plc and its subsidiaries

### Results

The financial statements of the Partnership are set out on pages 5 to 10. The profit for the year ended 31 March 2009 was € 14,150,000

### Going concern

On the basis of current financial projections the Manager has a reasonable expectation that the Partnership has adequate resources to continue in operational existence for the foreseeable future and accordingly the going concern basis is adopted in the preparation of the financial statements

For and on behalf of Investec plc

A handwritten signature in black ink, appearing to read 'A Tapnack', is written over a stylized logo consisting of a triangle and a line.

A Tapnack

Date 24 June 2009

## **Statement of the Manager's responsibilities in respect of the financial statements**

The Investec Tier 1 (UK) LP Limited Partnership agreement dated 20 June 2005, (the "Agreement"), which constitutes Investec Tier 1 (UK) LP (the "Partnership") requires the Manager (under the supervision and authority of the General Partner) to prepare financial statements for the Partnership for each financial period in accordance with the principles agreed to with the auditors. In preparing those financial statements the Manager is expected to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Partnership will continue in business

The Manager is responsible for keeping proper accounting records on behalf of the Partnership which disclose with reasonable accuracy, at any time, the financial position of the Partnership and to ensure that the financial statements comply with the Agreement. The Manager also has general responsibility for taking steps to safeguard the assets of the Partnership and to prevent and detect fraud and other irregularities.

# **Independent auditors' report**

**to the partners of Investec Tier 1 (UK) LP**

We have audited the financial statements of Investec Tier 1 (UK) LP (the "Partnership") for the year ended 31 March 2009 which comprise the Profit and Loss Account, Balance Sheet, Partners' Accounts and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the partners of the Partnership, as a body, in accordance with the terms of the partnership agreement. Our audit work has been undertaken so that we might state to the partners of the Partnership those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the partners of the Partnership, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of manager and auditors**

The Manager (under the supervision and authority of the General Partner) is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Manager's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993. We also report to you if, in our opinion, the Partnership has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

## **Basis of audit opinion**

We conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Partnership's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Partnership's affairs as at 31 March 2009 and of its profit for the year then ended and have been properly prepared in accordance with the Partnership Agreement and the Partnerships and Unlimited Companies (Accounts) Regulations 1993.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
London

24 June 2009

## **Profit and loss account**

**for the year ended 31 March 2009**

|                                                                 | <b>Notes</b> | <b>2009<br/>€000</b> | <b>2008<br/>€000</b> |
|-----------------------------------------------------------------|--------------|----------------------|----------------------|
| <b>Income</b>                                                   | 3            | 14,150               | 14,150               |
| <b>Expenses</b>                                                 | 4            | -                    | -                    |
| <b>Profit for the year available for allocation to partners</b> |              | <u>14,150</u>        | <u>14,150</u>        |

There are no recognised gains or losses in the year other than those passed through the profit and loss account

There is no material difference between the results disclosed in the profit and loss account and the results on an unmodified historical cost basis



## Balance sheet

at 31 March 2009

|                                                       | Notes | 2009<br>€000   | 2008<br>€000   |
|-------------------------------------------------------|-------|----------------|----------------|
| <b>FIXED ASSETS</b>                                   |       |                |                |
| Perpetual Subordinated Notes                          | 5     | <u>200,000</u> | <u>200,000</u> |
| <b>CURRENT ASSETS</b>                                 |       |                |                |
| Debtors                                               | 6     | 10,865         | 10,865         |
| <b>CURRENT LIABILITIES</b>                            |       |                |                |
| <b>CREDITORS:</b> amounts falling due within one year |       | -              | -              |
| <b>NET CURRENT ASSETS</b>                             |       | <u>10,865</u>  | <u>10,865</u>  |
| <b>NET ASSETS</b>                                     |       | <u>210,865</u> | <u>210,865</u> |
| <b>FINANCED BY:</b>                                   |       |                |                |
| Preferred Securities                                  | 7     | 200,000        | 200,000        |
| Partners' Interests                                   | 9     | 10,865         | 10,865         |
|                                                       |       | <u>210,865</u> | <u>210,865</u> |

Approved by the Manager



A Tapnack  
For and on behalf of Investec plc

Date 24 June 2009

The accompanying notes are an integral part of these financial statements

## Partners' accounts

for the year ended 31 March 2009

|                                    | Limited<br>Partners<br>€000 | General<br>Partner<br>€000 | Total<br>€000 |
|------------------------------------|-----------------------------|----------------------------|---------------|
| <b>Partners' capital</b>           |                             |                            |               |
| At 1 April 2008                    | 10,855                      | 10                         | 10,865        |
| Preferred Securities dividend paid | (14,150)                    | -                          | (14,150)      |
| Profit for the year                | 14,150                      | -                          | 14,150        |
| At 31 March 2009                   | <u>10,855</u>               | <u>10</u>                  | <u>10,865</u> |

The accompanying notes are an integral part of these financial statements

## Notes to the financial statements

at 31 March 2009

### 1. ORGANISATION AND BUSINESS

Investec Tier 1 (UK) LP ("the Partnership") was constituted under the Limited Partnership Act, 1907 (the "Act") on 20 June 2005 as a limited partnership under English law by a limited partnership agreement dated 20 June 2005 (the "Agreement")

Investec plc (the "General Partner"), is the General Partner and founder partner of the Partnership

#### Objective

The objective of the Partnership is to raise and provide finance and financial support to the General Partner and its group

### 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted by the Partnership are as follows

#### Accounting convention

The financial statements have been prepared in accordance with accounting standards issued by the Accounting Standards Board and with the historical cost convention and on a going concern basis

#### Income

Income is recognised on an accrual basis

#### Cash flow statement

The Partnership is exempt from the requirements to prepare a cash flow statement under Financial Reporting Standard 1, because a consolidated cash flow statement is included in the publicly available consolidated financial statements of its general partner, Investec plc

#### Taxation

There is no tax charge for the Partnership, as each partner is responsible for discharging his or her liability to income tax arising there from

#### Impairments of financial assets held at amortised cost

Financial assets carried at amortised cost are impaired if there is objective evidence that the company will not receive cash flows according to the original contractual terms. Financial assets are assessed for objective evidence of impairment at least at each balance sheet reporting date. The test for impairment is based either on specific financial assets or on a portfolio of similar, homogeneous assets. The impairment is credited against the carrying value of financial assets. The impairment is calculated as the difference between the carrying value of the asset and the expected cash flows discounted at the original effective rate. An allowance for impairment is only reversed when there is objective evidence that the credit quality has improved to the extent that there is reasonable assurance of timely collection of principal and interest in terms of the original contractual agreement.

### 3. INCOME

|                                          | 2009<br>€000 | 2008<br>€000 |
|------------------------------------------|--------------|--------------|
| Interest on Perpetual Subordinated Notes | 14,150       | 14,150       |

### 4. EXPENSES

The auditors' remuneration has been borne by another group company. The Partnership had no employees during the year.

## Notes to the financial statements

at 31 March 2009

### 5. PERPETUAL SUBORDINATED NOTES

On 24 June 2005 Investec plc issued €200,000,000 Fixed/Floating Rate Perpetual Subordinated Notes. The Notes have no final maturity and the issuer may at its option redeem all of the Notes on 24 June 2015 or any subsequent quarter end.

### 6. DEBTORS

|                                                  | 2009<br>€000  | 2008<br>€000  |
|--------------------------------------------------|---------------|---------------|
| Accrued interest on Perpetual Subordinated Notes | 10,855        | 10,855        |
| Other debtors                                    | 10            | 10            |
|                                                  | <u>10,865</u> | <u>10,865</u> |

### 7. PREFERRED SECURITIES

On 24 June 2005 the Partnership issued €200,000,000 Fixed/Floating Rate Guaranteed Non-voting Non-cumulative Perpetual Preferred Securities ("Preferred Securities"). The Preferred Securities, which are guaranteed by Investec plc, are callable at the option of the issuer, subject to the approval of the Financial Services Authority, on the tenth anniversary of the issue and, if not called, are subject to a step up in coupon of one and a half times the initial credit spread above the three month euro-zone interbank offered rate. Until the tenth anniversary of the issue, the dividend on the Preferred Securities will be a 7.075 per cent. The annual dividend is due on 24 June or next business day. The issuer has the option not to pay a distribution when it falls due but this would then prevent the payment of Ordinary dividends by the company.

Under the terms of the issue there are provisions for the Preferred Securities to be substituted for Preference Shares issued by the company if Investec plc's capital ratios fall below the minimum level permitted by the Regulator.

### 8. ALLOCATION OF PROFITS AND LOSSES

Subject to the Act, and subject to the terms of the Agreement, the Issuer's income shall be allocated on each Distribution Payment Date or on any date determined by the General Partner as follows:

- (a) first, to the Priority Limited Partner for its own account if Distributions are not payable in full on any Distribution Payment Date, provided that if any Distributions are payable in part on such Distribution Payment Date, income up to the amount of such partial Distribution shall be allocated first to the Limited Partners with the remainder to the Priority Limited Partner for its own account,
- (b) secondly, to the Limited Partners as holders of the Preferred Securities for the payment of Distributions, and
- (c) thirdly, all remaining sums exclusively to the General Partner for its own account.

Income of the Issuer paid in accordance with (a) or (b) above shall be allocated pro rata among the Holders until the amount so allocated to each Holder equals the amount of Distributions payable to that Holder as determined in accordance with the terms of the Preferred Securities.

The Issuer's losses for any Distribution Period (other than losses caused by a depreciation in the market or capital value of any of the Partnership Assets) shall be allocated to the General Partner in so far as they reflect expenses, debts, liabilities and obligations for which the General Partner has assumed responsibility under the terms of the Agreement.

## Notes to the financial statements

at 31 March 2009

### 9. PARTNERS' INTERESTS

|                                    | Capital<br>€000 |
|------------------------------------|-----------------|
| At 1 April 2008                    | 10,865          |
| Preferred Securities dividend paid | (14,150)        |
| Profit for the year                | <u>14,150</u>   |
| At 31 March 2009                   | <u>10,865</u>   |

### 10. RELATED PARTY TRANSACTIONS

The Manager has taken advantage of the exemptions available in Financial Reporting Standard 8 from disclosing transactions with related parties which are members of Investec plc Group

### 11. ULTIMATE PARENT UNDERTAKING

The partnership's immediate parent undertaking is Investec plc

The partnership's ultimate parent undertaking and controlling party is Investec plc, a company incorporated in the United Kingdom and registered in England and Wales. The consolidated financial statements of Investec plc are available to the public and may be obtained from Investec plc at 2 Gresham Street, London, EC2V 7QP. This is the smallest and largest group in which the results of the company are consolidated.