Sale of Kensington Group

Summary

Investec is pleased to announce the sale of its UK intermediated mortgage business Kensington Group plc ("Kensington") together with certain other Investec mortgage assets (the “Transaction Group”) to funds managed by Blackstone Tactical Opportunities Advisors L.L.C. ("Blackstone") and TPG Special Situations Partners ("TSSP") for GBP180 million in cash based on a tangible net asset value of the business of GBP165 million at 31 March 2014.

Highlights

- The transaction supports Investec’s strategic objective to simplify and reshape its specialist banking business and substantially reduces the assets within its legacy non-core business.
- The Transaction Group had gross assets of GBP3.7 billion as at 31 March 2014.
- On a proforma basis, as at 31 March 2014, it is estimated that upon completion of the transaction, Investec plc’s common equity tier 1 ratio will increase by approximately 1%. Taking into account this transaction and the recent sale of Investec Bank (Australia) Limited, the common equity tier 1 ratio of Investec plc is expected to increase from 8.8% at 31 March 2014 to approximately 11.3% and its leverage ratio is expected to increase from 7.4% to about 9.2%.

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About Kensington
Kensington, the UK residential mortgage lender, was acquired by Investec plc in August 2007. Kensington has been trading successfully for almost 20 years and was one of the founders of the UK specialist lending market, developing industry-leading underwriting capabilities.

For the year ended 31 March 2014, the Transaction Group reported profit before taxation of GBP33 million and had gross assets of GBP3.7 billion. Kensington currently has approximately 140 employees and about 30,000 customers.

Details of the transaction
The Transaction Group includes Kensington’s mortgage origination platform, brand, operations, employees, and its regulated and operating subsidiary entities. The Transaction Group includes all of Kensington and certain other Investec mortgage-related financial assets and liabilities. Investec’s funding line to the Transaction Group, which was GBP1.4 billion as at 31 March 2014, is to be repaid entirely at completion. The Transaction Group does not include Investec’s Irish mortgage entities, assets or operations. Keith Street will continue to lead the Kensington mortgage business.

Completion is expected towards the end of 2014 and is subject to anti-trust and regulatory approvals, including approval from the UK Financial Conduct Authority and finalisation of the purchaser’s financing commitments.

Investec is being advised by Fenchurch and Investec Investment Banking in relation to the transaction.

Summary financial effects and expected benefits
The sale of Kensington is in line with the group’s strategic objective to simplify and reshape its specialist banking business. The financial effects of the transaction on Investec are estimated as follows:

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<th>As reported at 31 March 2014</th>
<th>Pro-forma at 31 March 2014</th>
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<tbody>
<tr>
<td>Adjusted earnings per share before goodwill, acquired intangibles and non-operating items</td>
<td>38.0p</td>
<td>36.0p</td>
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<tr>
<td>Net tangible asset value per share</td>
<td>308.7p</td>
<td>301.6p</td>
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<tr>
<td>Total assets</td>
<td>GBP47 142 million</td>
<td>GBP43 419 million</td>
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</table>

On a proforma basis, as at 31 March 2014, it is estimated that upon completion of the transaction, Investec plc’s common equity tier 1 ratio will increase by approximately 1%. Taking into account this transaction and the recent sale of Investec Bank (Australia) Limited, the common equity tier 1 ratio of Investec plc is expected to increase from 8.8% at 31 March 2014 to approximately 11.3%.

The proceeds received from the transaction will be deployed in the UK specialist banking operations.

About Investec
Investec is an international specialist bank and asset manager that provides a diverse range of financial products and services to a niche client base in three principal markets, the United Kingdom, South Africa and Australia as well as certain other countries. The group was established in 1974 and currently has approximately 7 600 permanent employees.
Investec focuses on delivering distinctive profitable solutions for its clients in three core areas of activity namely, Asset Management, Wealth & Investment and Specialist Banking.

In July 2002 the Investec group implemented a dual listed company structure with listings on the London and Johannesburg Stock Exchanges. The combined group's current market capitalisation is approximately GBP5 billion.

Further information

Fenchurch Advisory Partners LLP (“Fenchurch”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting for Investec (the “Company”) and no-one else in connection with the transaction. Fenchurch will not regard any other person as their respective clients in relation to the transaction and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Fenchurch, nor for providing advice in relation to the transaction, the contents of this announcement or any transaction or arrangement referred to herein. No reliance may or should be placed by any person for any purposes whatsoever on the information contained in this announcement or on its completeness, accuracy or fairness. Fenchurch and the Company and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of this announcement or its contents or otherwise arising in connection herewith.

Forward-looking statements

This announcement may contain certain “forward-looking statements” with respect to certain of Investec’s plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “pursues”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Investec’s control including, among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Investec and its affiliates operate. As a result, Investec’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the forward-looking statements. Investec undertakes no obligation to update the forward-looking statements contained in this announcement or any other forward-looking statements it may make.

Any forward-looking statements made herein speak only as of the date they are made. Except as required by the UK Financial Conduct Authority, the London Stock Exchange or applicable law, Investec expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this announcement to reflect any change in Investec’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

London and Johannesburg

Sponsor and Investment Banking

Investec Bank Limited and Investec Bank plc