

Investec Limited

Incorporated in the Republic of South Africa
Registration number 1925/002833/06
JSE share code: INL
ISIN: ZAE000081949

Investec plc

Incorporated in England and Wales
Registration number 3633621
JSE share code: INP
ISIN: GB00B17BBQ50

Investec (comprising Investec plc and Investec Limited) – Interim Management Statement released on 6 February 2014

This Interim Management Statement is issued by Investec in accordance with the UK Listing Authority's Disclosure and Transparency Rules. Unless stated otherwise, key trends and figures highlighted below refer to the nine months ended 31 December 2013 and the corresponding period in the previous year.

Performance overview

Overall group results have been negatively impacted by the depreciation of the Rand: Pounds Sterling exchange rate over the period.

Asset Management reported results moderately ahead of the prior year and Wealth & Investment's results increased substantially with both divisions benefiting from higher levels of average funds under management and net inflows of GBP2 billion and GBP1.1 billion, respectively. Operating profit in the Specialist Banking business increased, largely due to a strong performance from the South African banking business and an improved performance in the UK banking business.

Salient features of the nine month period to 31 December 2013:

- Total operating income (excluding depreciation on operating leased assets) is 1% ahead of the prior year.
- Impairment losses on loans and advances decreased by 26%.
- Operating costs increased by 2% compared to the prior year.
- Operating profit before goodwill, acquired intangibles, non-operating items and taxation and after other non-controlling interests is 12% ahead of the prior year. An increase of 25% on a currency neutral basis.
- Recurring income as a percentage of total operating income amounted to approximately 74% (2012: 71%), supported by higher average funds under management.
- The group had approximately GBP8.1 billion of cash and near cash available to support its activities (Investec Limited: R68 billion; Investec plc: GBP4.2 billion).
- Since 31 March 2013 (the end of the group's financial year):
 - Third party assets under management decreased by 2% to GBP108.0 billion – an increase of 6% on a currency neutral basis.
 - Customer accounts (deposits) decreased by 10% to GBP22.1 billion – an increase of 3% on a currency neutral basis.
 - Core loans and advances decreased by 9% to GBP16.8 billion - an increase of 6% on a currency neutral basis.
- Loans and advances as a percentage of customer deposits were 72.0% (31 March 2013: 71.3%).

Strategic review**Investec Bank (Australia) Limited**

Investec intends to transform its Australian banking business into a boutique operation focusing on Corporate Advisory, Property Funds, Aviation, Commodity and Resource Finance, Project Finance, Corporate and Acquisition Finance, and Financial Markets. The group's priority is to improve returns and maximise value while maintaining strong relationships with our client base. Independent advisers have been appointed to identify alternatives for the bank's Professional Finance and Asset Finance & Leasing divisions. These alternatives for the Professional Finance and Asset Finance & Leasing divisions include a possible sale, a joint venture with an appropriate supportive partner, or continuing with current operations. The group expects to be in a position to communicate the outcome of this process by 31 March 2014. In the meantime, these divisions will continue servicing clients as usual.

Kensington

Investec is exploring a potential sale of Kensington, the group's intermediary mortgage business in the UK, having received certain expressions of interest. Investec has appointed Fenchurch Advisory as its adviser to

conduct this process. There can be no certainty any sale will take place. A further announcement will be made, if and when appropriate. In the mean time, we continue to service Kensington clients as usual.

The group will hold a pre-close briefing on 20 March 2014.

On behalf of the board

Fani Titi (Joint Chairman), Sir David Prosser (Joint Chairman), Stephen Koseff (Chief Executive Officer) and Bernard Kantor (Managing Director)

Notes:

1. The financial information on which this statement is based has not been reviewed and reported on by the group's auditors.
2. Please note that matters highlighted above may contain forward looking statements which are subject to various risks and uncertainties and other factors, including, but not limited to:
 - the further development of standards and interpretations under International Financial Reporting Standards (IFRS) applicable to past, current and future periods, evolving practices with regard to the interpretation and application of standards under IFRS.
 - domestic and global economic and business conditions.
 - market related risks.
 - A number of these factors are beyond the group's control.
 - These factors may cause the group's actual future results, performance or achievements in the markets in which it operates to differ from those expressed or implied.
 - Any forward looking statements made are based on the knowledge of the group at 6 February 2014.
3. The neutral currency calculation for the core earnings drivers assumes the Rand:Pound and Australian Dollar:Pound closing exchange rates remain the same as at 31 December 2013 when compared to 31 March 2013. The neutral currency calculation for operating profit assumes the Rand:Pound and Australian Dollar:Pound average exchange rates for the 9 month period to 31 December 2013 remain the same as when compared to the 9 month period to 31 December 2012.
4. The group's reporting currency is Pounds Sterling. Certain of the group's operations are conducted by entities outside the UK. The results of operations and the financial condition of the group's individual companies are reported in the local currencies in which they are domiciled, including Rands, Australian Dollars, Euros and Dollars. These results are then translated into Pounds Sterling at the applicable foreign currency exchange rates for inclusion in our combined consolidated financial statements. 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:

	Nine months to 31-Dec-13		Year to 31-Mar-13		Nine months to 31-Dec-12	
	Period end	Average	Period end	Average	Period end	Average
Currency per GBP1.00						
South African Rand	17.37	15.50	13.96	13.44	13.77	13.29
Australian Dollar	1.85	1.67	1.46	1.53	1.56	1.54
Euro	1.20	1.18	1.18	1.23	1.23	1.24
US Dollar	1.65	1.57	1.52	1.58	1.62	1.59

5. The following disclosures are made with respect to Basel quarterly disclosure requirements:
The group holds capital in excess of regulatory requirements targeting a minimum core/common equity tier one capital ratio above 10% by March 2016 and a total capital adequacy ratio range of 14% to 17% on a consolidated basis for each of Investec plc and Investec Limited respectively.

	Investec plc [^]	IBP [^]	IBAL [^]	Investec Limited [^]	IBL [^]
As at 31 Dec 2013	GBP 'mn	GBP 'mn	A\$'mn	ZAR 'mn	ZAR 'mn
Core tier 1/common equity tier 1 capital before deductions	1,267	1,452	573	22,586	23,515
Deductions	(2)	(6)	(157)	(313)	(450)
Core tier 1/common equity tier 1 capital	1,265	1,446	416	22,899	23,965
Additional tier 1 capital before deductions	296	-	-	4,231	1,381
Deductions	(6)	-	-	-	-
Total tier 1 capital	1,555	1,446	416	4,231	1,381
Tier 2 capital before deductions	828	676	133	10,120	10,602
Deductions	(8)	(6)	-	-	-
Total tier 2 capital	820	670	133	10,120	10,602
Total capital deductions	(49)	(50)	-	-	-
Total regulatory capital	2,326	2,066	549	37,250	35,948
Risk-weighted assets	13,404	12,331	3,343	247,347	237,771
Total capital requirements	1,072	986	434	23,498	22,588
Capital ratios					
Core tier 1/common equity tier 1 ratio	9.4%	11.7%	12.4%	9.3%	10.1%
Tier 1 ratio	11.6%	11.7%	12.4%	11.0%	10.7%
Total capital ratio	17.4%	16.8%	16.4%	15.1%	15.1%

[^] Where: IBP is Investec Bank plc consolidated. IBAL is Investec Bank (Australia) Limited and IBL is Investec Bank Limited. The information for IBP includes IBAL on a Basel II basis. The information for Investec plc includes the information for IBP. The information for Investec Limited includes the information for IBL. The Dec 2013 capital information for Investec plc and IBP are based on Basel II capital requirements as applicable in the UK at that date. The Dec 2013 capital information for Investec Limited, IBL and IBAL are based on Basel III capital requirements as currently applicable in South Africa and Australia, respectively.

Timetable:

Pre-close briefing: 20 March 2014

Year-end results: 31 March 2014

Release of year-end results: 22 May 2014

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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 8 200 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 GBP3.4 billion.

6 February 2014