NEDBANK GROUP LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1966/010630/06
JSE share code: NED
NSX share code: NBK
ISIN: ZAE000004875
('Nedbank Group' or 'the group')

NEDBANK LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1951/000009/06
JSE share code: NBKP
ISIN: ZAE000043667
("Nedbank Limited" or "the bank")

UPDATE ON NEDBANK GROUP'S PERFORMANCE FOR THE THREE MONTHS TO 31 MARCH 2017 AND PILLAR 3 BASEL III CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY RATIOS AS AT 31 MARCH 2017

UPDATE ON THE GROUP'S PERFORMANCE FOR THE THREE MONTHS TO 31 MARCH 2017

Nedbank Group's managed operations continued to produce a solid performance for the first three months of the year ('the period'). In a difficult socio political and macro-economic environment, overall client activity and revenue growth was slower than expected, but this was partially offset by a better than expected credit loss experience.

Net interest income grew at mid-single digit levels on the back of annualised growth in average interest-earning banking assets (AIEBA) at low single-digit levels. The net interest margin (NIM) for the period widened ahead of the full year 2016 level of 3,54% and the Q1 2016 level of 3,51% (which includes the transfer of the CIB liquid asset portfolio from AIEBA to the trading book). Margin expansion was led by endowment income as a result of higher average interest rates and higher capital and transactional deposit levels as well as improved liability margins and advances mix benefits. Together, these more than offset the adverse implications of the narrowing of the prime interest rate against the Johannesburg Interbank Agreed Rate during the period.

The benefit of our historic selective asset growth strategies with a wholesale bias continues to evidence itself in our credit loss ratio (CLR) which decreased from the full year 2016 level of 68 basis points (bps). The lower CLR was supported by a decrease in impairments in CIB and client collections in RBB remained effective.

Non-interest revenue grew at low-to-mid single digit levels and continued to be underpinned by mid-single digit increases in commission and fees and trading income whilst performance of other NIR components have been more volatile given the challenging economic environment.

Disciplined expense management resulted in expenses growing in line with our expectations.

As previously disclosed in the group's SENS announcement on 18 April 2017, associate earnings from the group's share of Ecobank Transnational Incorporated's (ETI) attributable income are equity-accounted one quarter in arrear, using ETI's publicly disclosed results. The group's share of ETI's attributable loss of USD 427m for the fourth-quarter in 2016 was approximately R1,2bn (Q1 2016: R676m loss). On 27 April 2017, ETI reported its first quarter results for 2017 with attributable income of USD 51m. The group's share is estimated at R144m (subject to exchange rate movements) which will be accounted for in our second quarter results (Q2 2016: R230m).

In April 2017, Standard & Poor's Global (S&P) and Fitch Ratings (Fitch) downgraded South Africa's (SA) sovereign credit rating to sub-investment grade while Moody's has placed the sovereign ratings under review for a potential downgrade. SA's long-term sovereign foreign currency rating was downgraded to BB+ from BBB- with a negative outlook by S&P and a stable outlook by Fitch. In addition, SA's long-term local currency issuer ratings were downgraded to BB+ from BBB- with a stable outlook by Fitch.

The macroeconomic outlook for SA has deteriorated following the sovereign downgrades which will impact negatively on confidence, investment and growth. As a result, we have reduced our 2017 GDP growth forecast for SA from 1,1% to 0,7% with risk remaining to the downside and the interest rate forecast has been revised to either remain flat or increase slightly, in comparison to our previous expectations of a cumulative decrease of 50 bps later this year.

In view of the volatile socio-political outlook and the weaker than expected macro-economic environment, we anticipate reduced levels of business and consumer confidence and that it will now be more challenging to achieve the full 2017 year guidance provided at the time of the release of our 2016 annual results.

We are monitoring the likely impact of this on credit demand, transactional activity and impairments, and will update our performance guidance for the full 2017 year in our 2017 Interim Results announcement on 2 August 2017.

PILLAR 3 BASEL III CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY RATIOS AS AT 31 MARCH 2017

BASEL III CAPITAL ADEQUACY

In terms of the requirements under Regulation 43(1)(e)(iii) of the regulations relating to banks and Directive 4/2014 issued in terms of section 6(6) of the Banks Act (Act No. 94 of 1990), minimum disclosure on the capital adequacy of the group and its leverage ratio is required on a quarterly basis.

Both the group and bank remain well capitalised at levels significantly above the minimum regulatory requirements. The common equity tier 1 ratios of 12,6% and 12,3%, respectively, are reflective of organic capital generation and the limited movement in risk weighted assets during the period. The group and bank's total capital ratio was positively impacted by the issuance of R2,0bn of new style Tier 2 capital in March 2017, offset to a degree by the redemption of old style Tier 2 notes of R1,0bn in the same month.

The following table sets out the regulatory capital as at 31 March 2017:

	Nedbank Group		Nedbank Limited	
	Rm	%	Rm	%
Including unappropriated profits				
Tier 1 capital	**67 704**	**13,3**	**56 477**	**13,4**
Common-equity tier 1 capital	**63 906**	**12,6**	**51 821**	**12,3**
Share capital and premium	19 087		19 221	
Reserves	57 975		43 045	
Minority interest: Ordinary shareholders	702		-	
Goodwill	(5 134)		(1 410)	
Excess of expected loss over eligible provisions	(1 477)		(1 509)	
Defined benefit pension fund assets	(1 911)		(1 911)	
Capitalised software and development costs	(4 688)		(4 669)	
Other regulatory differences and non-qualifying reserves	(648)		(946)	
Additional tier 1 capital	3 799	0,7	4 656	1,1
Preference share capital and premium	2 656		2 656	
Perpetual subordinated debt instruments	2 000		2 000	

Regulatory adjustments	(858)		-	
Tier 2 capital	12 763	2,5	13 794	3,3
Subordinated debt instruments	13 790		13 790	
General allowance for credit impairment	144		4	
Regulatory adjustments	(1 171)		-	
Total capital	**80 467**	**15,8**	**70 271**	**16,7**
Excluding unappropriated profits				
Tier 1 capital	60 390	11,9	52 146	12,4
Common-equity tier 1 capital	56 592	11,1	47 490	11,3
Total capital	73 153	14,4	65 940	15,7

LEVERAGE RATIO

The leverage ratio is a supplementary measure to risk-based capital requirements. The leverage ratios of both the group and bank are well above minimum regulatory requirements.

Leverage ratio		Nedbank Group	Nedbank Limited
Tier 1 capital (including unappropriated profit)	(Rm)	67 704	56 477
Tier 1 capital (excluding unappropriated profit)	(Rm)	60 390	52 146
Total exposures	(Rm)	999 644	907 168
Leverage ratio (including unappropriated profit)	(%)	6,8	6,2
Leverage ratio (excluding unappropriated profit)	(%)	6,0	5,7
Minimum required leverage ratio	(%)	4,0	4,0

OVERVIEW OF RISK-WEIGHTED ASSETS (RWA)

		Mar 2017	Dec 2016	Mar 2017
		RWA	RWA	Minimum capital requirements[1]
1	**Credit risk (excluding CCR)**	**360 909**	**360 731**	**38 798**
2	Standardised Approach (TSA)	36 477	37 176	3 921
3	Advanced Internal Ratings-based Approach (AIRB)	324 432	323 555	34 877
4	**Counterparty credit risk (CCR)**	**16 031**	**15 745**	**1 723**
5	SA-CCR	16 031	15 745	1 723
6	Internal Model Method (IMM)	-	-	-
7	**Equity positions in banking book under market-based approach (SRWA)**	**21 929**	**18 156**	**2 357**
11	Settlement risk	-	-	-
12	**Securitisation exposures in banking book**	**942**	**1 097**	**101**

13	IRB Ratings-based Approach (RBA)	942	1 097	101
14	IRB Supervisory Formula Approach (SFA)	-	-	-
15	SA/Simplified Supervisory Formula Approach (SSFA)	-	-	-
16	**Market risk**	**14 842**	**17 542**	**1 596**
17	Standardised Approach	2 438	2 125	262
18	IMA	12 404	15 417	1334
19	**Operational risk**	**61 345**	**61 345**	**6 595**
20	Basic Indicator Approach	-	-	-
21	Standardised Approach	5 044	5 044	542
22	AMA	43 741	43 741	4 703
24	Floor adjustment	12 560	12 560	1 350
23	**Amounts below the thresholds for deduction (subject to 250% risk weight)**	**13 582**	**15 404**	**1 460**
25	**Other assets (100% risk weighting)**	**19 212**	**19 201**	**2 065**
26	**Total**	**508 793**	**509 221**	**54 695**

1. *Total minimum required capital is measured at 10,75% in line with transitional requirements and excludes bank-specific Pillar 2b and D-SIB capital requirements.*

Credit RWA

Nedbank and our London branch make up 94% of the total credit extended by the group and are on the AIRB Approach. The credit portfolios of Nedbank Private Wealth International and some of the legacy Imperial Bank portfolio in Nedbank RBB remain on TSA.

RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER AIRB

Rm		RWA
1	**RWA as at end of previous reporting period**	**323 555**
2	Asset size	(212)
3	Asset quality	1 157
4	Model updates	-
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(68)
8	Other	-
9	**RWA as at end of reporting period**	**324 432**

Market RWA

Most of the group's trading activity is managed in Nedbank CIB and is primarily focused on client activities and flow trading. This includes market making and the facilitation of client business in the foreign exchange, interest rate, equity, credit and commodity markets. There were no incremental and comprehensive risk capital charges.

RISK-WEIGHTED ASSETS FLOW STATEMENT OF MARKET RISK EXPOSURES UNDER IMA

Rm		VaR	Stressed VaR	Total RWA
1	RWA at previous quarter end	7 803	7 614	15 417
2	Movement in risk levels	(1 059)	2 992	1 933
6	Foreign exchange movements	(2 135)	(2 812)	(4 947)
8	**RWA at the end of reporting period**	**4 610**	**7 794**	**12 404**

LIQUIDITY COVERAGE RATIO (LCR)

In accordance with the provisions of section 6(6) of the Banks Act, 1990 (Act No. 94 of 1990), banks are directed to comply with the relevant LCR disclosure requirements, as set out in Directive 6/2014 and Directive 11/2014.

The LCR aims to ensure that a bank holds an adequate stock of unencumbered high quality liquid assets (HQLA) to cover total net cash outflows over a 30-day period under a prescribed stress scenario. Based on the final revisions announced by the Basel Committee the LCR is being phased-in from 60% on 1 January 2015, increasing by 10% each year to 100% on 1 January 2019.

According to Directive 11/2014 banks should disclose the LCR based on the simple average of month-end data up to the first reporting period after 1 January 2017, where after the bank should as a minimum disclose the LCR based on the relevant simple averages of daily data. Below are the LCR for the group and bank based on the simple average of three month-end data points together with the LCR for the group and bank based on the simple average of three months of daily data.

The difference between the average month-end LCR calculations and the average daily LCR calculations can largely be attributed to a business-as-usual concentration of deposits in the first few weeks of January each year, following the December holiday season in SA. This concentration of deposits results in lower LCR levels in the beginning of January and typically normalises by the end of January therefore resulting in the difference between the two calculations. Irrespective of which calculation is used it should be noted that based on the tables below the group and bank are well above minimum regulatory requirements.

Liquidity Coverage Ratio	Nedbank Group[1]		Nedbank Limited	
	Quarterly month-end average[2]	Quarterly Daily Average[3]	Quarterly month-end average[2]	Quarterly Daily Average[3]
High Quality Liquid Assets (Rm)	145 206	141 704	140 954	137 453
Net Cash Outflows (Rm)	133 057	144 159	125 512	136 614
Liquidity Coverage Ratio (%)	109,1%	98,3%	112,3%	100,6%
Minimum requirement (%)	80%	80%	80%	80%

Notes:

1. *Only banking and/or deposit-taking entities are included and the group data represents an aggregation of the relevant individual net cash outflows and the individual HQLA portfolios, where surplus HQLA holdings in excess of the minimum requirement of 80% have been excluded from the aggregated HQLA number in the case of all non-SA banking entities.*
2. *The above figures reflect the simple average of the month-end values at 31 January 2017, 28 February 2017 and 31 March 2017, based on the regulatory submissions to SARB.*
3. *The above figures reflect the simple average of daily observations over the previous quarter end 31 March 2017 for the bank and the simple average of the month-end values at 31 January 2017, 28 February 2017 and 31 March 2017 for all non-SA banking entities. The figures are based on the regulatory submissions to SARB.*

Shareholders are advised that the performance update for the period and Pillar 3 reporting have not been reviewed or reported on by the group's auditors.

Sandton
18 May 2017

Sponsors to Nedbank Group in South Africa:
Merrill Lynch South Africa (Pty) Limited
Nedbank CIB

Sponsor to Nedbank Group in Namibia:
Old Mutual Investment Services (Namibia) (Pty) Ltd

Sponsors to Nedbank Limited:

Investec Bank Limited

Nedbank CIB