

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")

Pillar 3 Basel III capital adequacy, leverage and liquidity ratios at 30 September 2017

This quarterly Pillar 3 disclosure covers the operations of Nedbank Group Limited (group) as well as Nedbank Limited (bank) and complies with the Basel Committee on Banking Supervision's (BCBS) revised Pillar 3 disclosure requirements and the South African Reserve Bank (SARB) Directive 11 of 2015.

Basel III capital adequacy

Both the group and bank remain well capitalised at levels significantly above the minimum regulatory requirements. The common-equity tier 1 ratios of 12,1% (2016: 11,5%) and 11,9% (2016: 10,9%), respectively, are reflective of organic capital generation after taking into account the payment of dividends to shareholders and growth in risk weighted assets during the period. The group and bank's total capital adequacy ratios reduced as a result of the redemption of R2,0bn old-style tier 2 notes in July 2017.

The following table sets out the regulatory capital and capital ratios at 30 September 2017:

	Nedbank Group		Nedbank Limited	
	Rm	%	Rm	%
Including unappropriated profits				
Tier 1 capital	67 714	13,0	56 425	13,2
Common-equity tier 1 capital	63 286	12,1	51 169	11,9
Share capital and premium	19 168		19 221	
Reserves	58 990		44 314	
Minority interest: Ordinary shareholders	806			
Goodwill	(5 167)		(1 410)	
Excess of expected loss over eligible provisions	(2 251)		(2 204)	
Defined benefit pension fund assets	(2 056)		(2 056)	
Capitalised software and development costs	(5 546)		(5 545)	
Other regulatory differences and non-qualifying reserves	(658)		(1 151)	
Additional tier 1 capital	4 428	0,9	5 256	1,3
Preference share capital and premium	2 656		2 656	
Perpetual subordinated debt instruments	2 600		2 600	
Regulatory adjustments	(828)			
Tier 2 capital	11 184	2,1	12 294	2,8
Subordinated debt instruments	12 290		12 290	
General allowance for credit impairment	159		4	
Regulatory adjustments	(1 265)			
Total capital	78 898	15,1	68 719	16,0
Excluding unappropriated profits				
Tier 1 capital	65 200	12,5	55 540	13,0
Common-equity tier 1 capital	60 772	11,6	50 284	11,7
Total capital	76 384	14,6	67 834	15,8

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 profits)	(Rm)	67 714	56 425
Tier 1 capital (excluding unappropriated profits)	(Rm)	65 200	55 540
Total exposures	(Rm)	1 013 565	921 716
Leverage ratio (including unappropriated profits)	(%)	6,7	6,1
Leverage ratio (excluding unappropriated profits)	(%)	6,4	6,0
Minimum required leverage ratio	(%)	4,0	4,0

OVERVIEW OF RISK-WEIGHTED ASSETS (RWA)

	Nedbank Group			Nedbank Limited		
	Sep 2017	Jun 2017	Sep 2017	Sep 2017	Jun 2017	Sep 2017
	RWA	RWA	MRC ¹	RWA	RWA	MRC ¹
1 Credit risk (excluding CCR)	365 663	358 231	39 309	306 233	298 795	32 920
2 Standardised Approach (TSA)	38 137	39 807	4 100	1 337	1 370	144
3 Advanced Internal Ratings-based Approach (AIRB)	327 526	318 424	35 209	304 896	297 425	32 776
4 Counterparty credit risk (CCR)	16 397	17 583	1 763	15 681	16 906	1 686
5 Current Exposure method (CEM)	16 397	17 583	1 763	15 681	16 906	1 686
6 Internal Model Method (IMM)						
7 Equity positions in banking book under market-based approach	23 868	22 745	2 566	18 380	16 670	1 976
11 Settlement risk						
12 Securitisation exposures in banking book	1 106	1 203	119	1 106	1 203	119
13 IRB Ratings-based Approach (RBA)	12	39	1	12	39	1
14 IRB Supervisory Formula Approach (SFA)	1 094	1 164	118	1 094	1 164	118
15 SA/Simplified Supervisory Formula Approach (SSFA)						
16 Market risk	15 661	17 182	1 683	12 375	14 065	1 330
17 Standardised Approach	3 715	3 814	399	429	697	46
18 IMA	11 946	13 368	1 284	11 946	13 368	1 284
19 Operational risk	64 266	64 266	6 909	56 375	56 375	6 060
20 Basic Indicator Approach						
21 Standardised Approach	5 997	5 997	645	28	28	3
22 AMA	46 137	46 137	4 960	44 511	44 511	4 785
23 Floor adjustment	12 132	12 132	1 304	11 836	11 836	1 272
24 Amounts below the thresholds for deduction (subject to 250% risk weight)	15 068	14 690	1 620	1 948	1 905	209
25 Other assets (100% risk weighting)	20 781	20 151	2 233	16 580	15 548	1 783
26 Total	522 810	516 051	56 202	428 678	421 467	46 083

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

Credit RWA

Nedbank Limited's lending portfolios make up approximately 94% of the total credit extended by the group and utilise the AIRB Approach. The lending portfolios of Nedbank Private Wealth International, the Rest of Africa subsidiaries and some of the legacy Imperial Bank portfolio remain on TSA.

RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER AIRB

Rm	RWA
1 RWA at 30 June 2017	318 424
2 Asset size	5 857
3 Asset quality	3 944
4 Model updates	(728)
5 Methodology and policy	
6 Acquisitions and disposals	
7 Foreign exchange movements	29
8 Other	
9 RWA at 30 September 2017	327 526

Market RWA

All trading activity in Nedbank Corporate and Investment Banking (CIB) 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 or comprehensive risk capital charges.

RWA FLOW STATEMENT OF MARKET RISK EXPOSURES UNDER IMA

Rm	VaR	Stressed VaR	Total RWA
1 RWA at 30 June 2017	5 257	8 111	13 368
2 Movement in risk levels	842	(63)	779
3 Model updates/changes			
4 Methodology and policy			
5 Acquisitions and disposals			
6 Foreign exchange movements	(1 080)	(1 121)	(2 201)
7 Other			
8 RWA at 30 September 2017	5 019	6 927	11 946

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 of 2014 and Directive 11 of 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 by an increase of 10% each year and will reach a minimum requirement of 100% by 1 January 2019.

The figures below reflect the simple average of daily observations over the quarter ending 30 September 2017 for Nedbank Limited and the simple average of the month-end values at 31 July 2017, 31 August 2017 and 30 September 2017 for all non-SA banking entities. The figures are based on the regulatory submissions to SARB.

LIQUIDITY COVERAGE RATIO

	Nedbank Group ¹	Nedbank Limited
	Quarterly Daily Average	Quarterly Daily Average
High quality liquid assets (Rm)	151 314	147 116
Net cash outflows (Rm)	125 652	119 249
Liquidity coverage ratio (%)	120	123
Minimum requirement (%)	80	80

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% for 2017 have been excluded from the aggregated HQLA number in the case of all non-SA banking entities.

Shareholders are advised that this report has not been reviewed or reported on by the group's auditors.

Sandton

17 November 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