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 2018 AND PILLAR 3 BASEL III CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY RATIOS AT 31 MARCH 2018

UPDATE ON THE GROUP'S PERFORMANCE FOR THE THREE MONTHS TO 31 MARCH 2018

Nedbank Group produced a strong performance for the first three months of the year, underpinned by the return to profitability of Ecobank Transnational Incorporated (ETI) in their fourth-quarter of 2017 (equity-accounted one quarter in arrear in Nedbank Group's first quarter of 2018). Managed Operations performed in line with our expectations. While business and consumer confidence levels have improved, the beneficial impact thereof in the group's performance to date has largely been limited to improved trading and market-related activities. Credit demand and transactional activity has remained subdued, but an improvement is expected from the second half of 2018.

Net interest income grew at low- to mid-single-digit levels. The net interest margin (NIM) for the period widened ahead of the full-year 2017 level of 3,62% led by advances and funding mix benefits, as well as improved asset pricing.

The group's credit loss ratio (CLR) now reported under IFRS 9, increased in line with expectations and was slightly below the lower end of our 60 to 100 bps through-the-cycle target range.

Non-interest revenue grew just above mid-single-digit levels. Commission and fee growth reflects subdued levels of client transactional activity as well as accounting impacts from IFRS 15, offset by continued cross-sell and gains in clients across our retail and wholesale businesses. In line with the improved business sentiment, trading and private equity income grew strongly, while insurance income increased off a low base in the first quarter of 2017.

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

Associate income from the group's share of ETI's attributable income is equity-accounted one quarter in arrear, based on ETI's publicly disclosed results. In Q1 2018 the group's share of ETI's attributable profit of US $16,5m for their fourth quarter in 2017 (announced on 21 March 2018) was R42m (Q1 2017: R1 203m loss) and in Q2 2018 the group's share of ETI's attributable profit of US $77m for their first quarter in 2018 (announced on 23 April 2018) is estimated at R198m (subject to exchange rate movements) (Q2 2017: R142m). As a result, the group's associate income relating to ETI for the first six months of 2018 is estimated at R240m (H1 2017: R1 061m loss).

Our earnings guidance for 2018 remains the same as announced on 2 March 2018, where we noted: 'Reflecting on the impact on the group of the greater levels of business and consumer confidence evident in the early part of 2018, an improving economic outlook, ongoing delivery on our strategy and ETI's returning to sustained levels of profitability, our guidance for growth in diluted headline earnings per share for 2018 is to be in line with our medium-to-long-term target of greater than or equal to GDP plus CPI plus 5%.'

Shareholders are advised that the guidance is based on organic earnings and our latest macroeconomic outlook, and have not been reviewed or reported on by the group's auditors.

PILLAR 3 BASEL III CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY RATIOS AT 31 MARCH 2018

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's (SARB) Directive 1/2018.

			Nedbank Group				
			Mar 2018	**Dec 2017**	**Sep 2017**	**Jun 2017**	**Mar 2017**
	Available capital						
1	Common equity tier 1 (CET1)	(Rm)	**59 438**	60 313	60 772	56 274	56 592
1a	Fully loaded ECL accounting model	(Rm)	**59 438**				
2	Tier 1	(Rm)	**63 623**	64 737	65 200	60 689	60 390
2a	Fully loaded ECL accounting model Tier 1	(Rm)	**63 623**				
3	Total capital	(Rm)	**77 046**	75 920	76 384	73 994	73 153
3a	Fully loaded ECL accounting model total capital	(Rm)	**77 046**				
	Risk-weighted assets						
4	Total risk-weighted assets (RWA)	(Rm)	**542 314**	528 206	522 810	516 051	508 793
	Risk-based capital ratios as a percentage of RWA						
5	Common equity tier 1 ratio	(%)	**11,0**	11,4	11,6	10,9	11,1
5a	Fully loaded ECL accounting model common equity tier 1	(%)	**11,0**				
6	Tier 1 ratio	(%)	**11,7**	12,3	12,5	11,8	11,9
6a	Fully loaded ECL accounting model tier 1 ratio	(%)	**11,7**				
7	Total capital ratio	(%)	**14,2**	14,4	14,6	14,3	14,4
7a	Fully loaded ECL accounting model total capital ratio	(%)	**14,2**				
	Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement	(%)	**1,875**	1,25	1,25	1,25	1,25
9	Countercyclical buffer requirement	(%)					
10	Bank G-SIB and/or D-SIB additional requirements	(%)					
11	Total of bank CET1 specific buffer requirements (row 8 + row 9 + row 10)	(%)	**1,875**	1,25	1,25	1,25	1,25
12	CET1 available after meeting the bank's minimum capital requirements	(%)	**3,6**	4,2	4,4	3,7	3,9
	Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure	(Rm)	**1 019 589**	1 009 172	1 013 565	1 000 130	999 644
14	Basel III leverage ratio (row 2/row 13)	(%)	**6,2**	6,4	6,4	6,1	6,0
14a	Fully loaded ECL accounting model Basel III leverage ratio (row 2a /row13)	(%)	**6,2**				
	Liquidity Coverage Ratio						
15	Total HQLA	(Rm)	**139 476**	138 180	151 314	144 568	141 704
16	Total net cash outflow	(Rm)	**132 001**	118 956	125 652	138 260	144 159
17	LCR ratio	(%)	**105,7**	116,2	120,0	104,6	98,3

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 12,5% (December 2017: 12,6%) and 12,3% (December 2017: 12,6%), respectively are reflective of organic capital generation and growth in risk weighted assets during the period and include the full impact of the implementation of IFRS 9 on 1 January 2018. The group CET 1 capital ratio also decreased marginally following the strengthening of the ZAR against the USD during the period. The total tier 1 and total capital adequacy ratios were adversely impacted by a further grandfathering of old-style preference shares (R531m) in January 2018 in line with the Basel III transitional arrangements. The total CARs were positively impacted by the issuance of further new-style tier 2 capital of R2bn during March 2018.

The following table sets out the capital ratios including unappropriated profits at 31 March 2018:

%	Nedbank Group	Nedbank Limited
Including unappropriated profits		
Common-equity tier 1 capital	12,5	12,3
Tier 1 capital	13,2	13,3
Total capital	15,7	16,5

OV1: OVERVIEW OF RISK-WEIGHTED ASSETS

		Nedbank Group			Nedbank Limited[1]		
		Mar 2018		Dec 2017	Mar 2018		Dec 2017
		RWA	MRC[2]	RWA	RWA	MRC[2]	RWA
1	**Credit risk**	365 177	40 626	356 893	305 159	33 949	295 646
2	Standardised Approach	38 064	4 235	37 410	415	46	426
3	AIRB Approach	327 113	36 391	319 483	304 744	33 903	295 220
4	**Counterparty credit risk**	27 269	3 034	23 921	26 583	2 957	23 169
5	Current Exposure Method	27 269	3 034	23 921	26 583	2 957	23 169
7	**Equity positions in banking book under Market-based Approach**	27 537	3 063	26 927	20 482	2 279	20 386
12	**Securitisation exposures in banking book under Internal Ratings-based Approach**	546	61	621	546	61	621
16	**Market risk**	21 157	2 354	17 142	18 240	2 029	14 046
17	Standardised Approach	3 750	417	3 643	1 394	155	1 222
18	Internal Model Approach	17 407	1 937	13 499	16 846	1 874	12 824
19	**Operational risk**	66 333	7 379	66 333	57 664	6 415	57 664
21	Standardised Approach	6 030	671	6 030	16	1	16
22	Advanced Measurement Approach	52 596	5 851	52 596	50 380	5 605	50 380
24	Floor adjustment	7 707	857	7 707	7 268	809	7 268
23	**Amounts below the thresholds for deduction (subject to 250% risk weighting)**	12 956	1 441	15 016	2 373	264	2 058
25	**Other assets (100% risk weighting)**	21 339	2 374	21 353	18 096	2 013	17 616
26	**Total**	542 314	60 332	528 206	449 143	49 967	431 206

[1] Nedbank Limited refers to the SA reporting entity in terms of regulation 38 (BA700) of the regulations relating to banks issued in terms of the Banks Act (Act No 94 of 1990).
[2] Total minimum required capital (MRC) is measured at 11,125% in line with the 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.

CR8: RWA FLOW STATEMENTS OF CREDIT RISK EXPOSURES UNDER AIRB

Rm		RWA
1	RWA at 31 December 2017	319 483
2	Asset size	4 567
3	Asset quality	1 552
4	Model updates	1 500
5	Methodology and policy	
6	Acquisitions and disposals	
7	Foreign exchange movements	
8	Other	11
9	**RWA at 31 March 2018**	327 113

Market RWA

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.

MR3: RWA FLOW STATEMENT OF MARKET RISK EXPOSURES UNDER IMA

Rm		VaR	Stressed VaR	Total RWA
1	RWA at 31 December 2017	5 066	8 433	13 499
2	Movement in risk levels	1 319	700	2 018
3	Model updates/changes			
4	Methodology and policy			
5	Acquisitions and disposals			
6	Foreign exchange movements	467	1 422	1 890
7	Other			
8	**RWA at 31 March 2018**	**6 852**	**10 555**	**17 407**

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.

LR1: SUMMARY COMPARISON OF ACCOUNTING ASSETS VS LEVERAGE RATIO EXPOSURE MEASURE

Item		Mar 2018
1	Total consolidated assets as per published financial statements	993 447
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	
4	Adjustments for derivative financial instruments	(5 315)
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	(16 243)
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	51 142
7	Other adjustments	(3 442)
8	**Leverage ratio exposure**	**1 019 589**

LR2: LEVERAGE RATIO COMMON DISCLOSURE TEMPLATE

Item		Mar 2018	Dec 2017
On-balance sheet exposures			
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	956 768	941 050
2	Asset amounts deducted in determining Basel III Tier 1 capital	(13 718)	(15 445)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**943 050**	925 605
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	19 559	25 358
5	Add-on amounts for PFE associated with all derivatives transactions	13 818	13 372
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	1 363	1 452
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions		(142)
8	Exempted CCP leg of client-cleared trade exposures	(10 826)	(8 791)
9	Adjusted effective notional amount of written credit derivatives	395	1 845
10	Credit derivatives (protection bought) (same reference name with equal to or greater remaining maturity)	(680)	(1 998)
11	**Total derivative exposures (sum of lines 4 to 10)**	**23 629**	31 096
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	18 109	17 366
13	Netted amounts of cash payables and cash receivables of gross SFT assets	(17 333)	(16 758)
14	CCR exposure for SFT assets	776	609
15	Agent transaction exposures	216	112
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**1 768**	1 329
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	197 398	197 398
18	Adjustments for conversion to credit equivalent amounts	(146 256)	(146 256)
19	**Off-balance sheet items (sum of lines 17 and 18)**	**51 142**	51 142
Capital and total exposures			
20	Tier 1 capital	63 623	64 737
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**1 019 589**	1 009 172
Leverage ratio[1]			
22	Basel III leverage ratio (%)	6,2	6,4

[1] *Basis of preparation for the leverage ratio is quarterly averaging.*

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, Directive 11/2014 and Directive 1/2018.

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 10% each year and will reach a minimum requirement of 100% from 1 January 2019.

The figures below reflect the simple average of daily observations over the quarter ending 31 March 2018 for Nedbank Limited and the simple average of the month-end values at 31 January 2018, 28 February 2018 and 31 March 2018 for all non-SA banking entities. The figures are based on the regulatory submissions to SARB.

		Nedbank Group Limited[1]		Nedbank Limited	
Rm		Total unweighted value[2] (average)	Total weighted value[3] (average)	Total unweighted value[2] (average)	Total weighted value[3] (average)
1	**Total HQLA**		139 476		134 784
	Cash outflows				
2	**Retail deposits and deposits from small-business clients, of which**	175 866	17 428	160 521	16 052
3	stable deposits	3 162	158		
4	less stable deposits	172 704	17 270	160 521	16 052
5	**Unsecured wholesale funding, of which**	246 276	121 572	214 762	107 157
6	operational deposits (all counterparties) and deposits in institutional networks of cooperative banks	123 490	30 883	105 495	26 374
7	non-operational deposits (all counterparties)	122 313	90 216	109 083	80 599
8	unsecured debt	473	473	184	184
9	**Secured wholesale funding**	24 109		23 882	
10	**Additional requirements, of which**	101 903	17 602	91 974	14 759
11	outflows related to derivative exposures and other collateral requirements	758	758	723	723
12	outflows related to loss of funding on debt products				
13	credit and liquidity facilities	101 145	16 844	91 251	14 036
14	**Other contractual funding obligations**				
15	**Other contingent funding obligations**	164 688	8 531	155 642	8 068
16	**Total cash outflows**	712 842	165 133	646 781	146 036
	Cash inflows				
17	**Secured lending**	15 296	38	15 296	38
18	**Inflows from fully performing exposures**	50 036	32 332	37 196	21 817
19	**Other cash inflows**	4 263	4 143	522	522
20	**Total cash inflows**	69 595	36 513	53 014	22 377
21	**Total HQLA**		139 476		134 784
22	**Total net cash outflows[4]**		132 001		123 659
23	**LCR (%)**		105,7		109,0

[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 90% for 2018 have been excluded from the aggregated HQLA number in the case of all non-SA banking entities.

[2] Unweighted values are calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

[3] Weighted values are calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

[4] Note that total cash outflows less total cash inflows may not be equal to total net cash outflows to the extent that regulatory caps have been applied to cash inflows as specified by the regulations.

The group's quarterly average LCR exceeded the minimum regulatory requirement of 90% applicable in 2018, where the group maintains appropriate operational buffers designed to absorb seasonal and cyclical volatility in the LCR. Nedbank's portfolio of LCR-compliant HQLA (comprising mainly of government bonds and treasury bills) increased to a quarterly average of R139,5bn, up marginally from December 2017 where the portfolio amounted to R138,2bn. Nedbank will continue to procure additional HQLA to support balance sheet growth and the LCR phase-in, while maintaining appropriately sized surplus liquid-asset buffers. The lower LCR observed in the current quarter (105,7%), compared with the previous quarter (116,2%), relates to a business-as-usual seasonal trends observed every year after the December holiday period.

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

Sandton

10 May 2018

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