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')

UPDATE ON NEDBANK GROUP'S PERFORMANCE FOR THE THREE MONTHS TO 31 MARCH 2016 AND PILLAR 3 BASEL III CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY RATIOS AS AT 31 MARCH 2016

UPDATE ON THE GROUP'S PERFORMANCE FOR THE THREE MONTHS TO 31 MARCH 2016

Shareholders of Nedbank Group are referred to the announcement made by Old Mutual plc (OM) in their 2015 Preliminary Results release on 11 March 2016 that they will cease quarterly reporting to shareholders. Historically Nedbank has released quarterly trading updates to enable OM to report quarterly. Following OM's decision to cease quarterly reporting, Nedbank Group will no longer report quarterly. In future a high level update on performance for the first quarter will be provided at our Annual General Meeting and a third quarter trading update will no longer be released.

At the Nedbank Group AGM on 5 May, CEO, Mike Brown commented as follows on the high level performance in the first quarter of 2016:

"Nedbank Group's own operations in South Africa and in the Southern Africa Development Community produced a solid performance in line with management's expectations for the first three months of the year ("the period").

Net interest income for the period grew at low double digit levels, supported by continued growth in average interest-earning banking assets. The net interest margin (NIM) for the period widened slightly from the full year 2015 level of 3,30%. The NIM benefitted from endowment income following interest rate increases during the period and this more than offset the negative effects of ongoing asset mix changes and higher funding costs related to Basel III requirements. The re-pricing of the cost of funding lagged the increases in the prime interest rate in the period, benefitting the NIM, but this benefit is expected to dissipate by the end of the 2016 year.

The credit loss ratio (CLR) increased as expected from the full year 2015 level, but remained within our through-the-cycle target range of 60 – 100 basis points. The increase in the CLR was driven by normal seasonality effects in Retail and higher specific impairments in CIB largely due to the impact on clients of the weak commodity cycle. Additional portfolio impairments were raised in both RBB and CIB. The central portfolio provision was increased to R500m in the second half of 2015 to take into account risks, particularly in commodities and in the Rest of Africa that had been incurred in 2015 but were only expected to emerge in 2016. It is expected that a portion of the central portfolio provision will therefore partially offset any increases in the 2016 CLR.

Non-interest revenue in the period grew at mid-single digit levels, underpinned by solid growth in commission and fees as total client numbers and main banked client numbers continued to increase, as well as a good performance from our insurance business. Trading income benefitted from increased market volatility and improved cross-sell in CIB.

Expenses for the period grew in line with management expectations and continued to be well-managed.

In Central and West Africa, associate income from our approximately 20% share in Ecobank Transnational Incorporated (ETI) is equity-accounted one quarter in arrears, using ETI's publicly disclosed results. ETI announced its results for the full year 2015 on 13 April 2016, which reflected a full year attributable profit of USD66m, implying a loss of USD199m for the fourth-quarter in 2015. This was the first set of ETI annual results following the strategic review undertaken by the new CEO and the fourth-quarter loss was largely due to increased impairments on exposures related to the slowdown in economic growth across Africa, as a result of lower commodity prices. As a result, Nedbank Group's first quarter 2016 results include a loss in associate income of R676m (Q1 2015: R148m profit) from accounting for our approximately 20% share of ETI's fourth-quarter 2015 loss.

On 14 April 2016 ETI reported its first-quarter results for 2016 which reflected an attributable profit of USD71m. Nedbank Group's share of this amounts to a profit of R240m (subject to exchange rate movements) which will be accounted for in our second-quarter 2016 results (Q2 2015: R278m profit).

Nedbank Group continues to work collaboratively with OM and Old Mutual Emerging Markets on the programme of ‘Managed Separation’, as announced by OM on 11 March 2016. OM will provide a more detailed update later in 2016 on the Managed Separation.

Our forecast for the full year 2016 as communicated in the 2015 Annual Results announcement, that growth in diluted headline earnings per share for 2016 will be lower than the growth achieved in 2015 of 8,5% and below our medium-to-long-term target of consumer price index + GDP growth + 5%, currently remains unchanged.”

PILLAR 3 BASEL III CAPITAL ADEQUACY, LEVERAGE AND LIQUIDITY RATIOS AS AT 31 MARCH 2016

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. This disclosure is in accordance with Pillar 3 of the Basel III accord. The group remains well capitalised with a common equity tier 1 ratio of 11,4%, well within our target range of 10,5% to 12,5%.

As a result of the operation of the threshold deduction formula under Basel III, the group’s share of ETI’s fourth–quarter losses has no impact on regulatory capital ratios.

The following table sets out the regulatory capital as at 31 March 2016:

	Nedbank Group		Nedbank Limited	
Including unappropriated profits	Rm	%	Rm	%
Tier 1 Capital	60 959	12,0%	48 356	11,3%
Common Equity Tier 1 Capital	57 853	11,4%	45 168	10,5%
Share capital and premium	18 473		18 571	
Reserves	57 345		37 693	
Minority interest:				
Ordinary shareholders	334		0	

Goodwill	(5 232)		(1 410)	
Excess of expected loss over eligible provisions	(2 233)		(2 225)	
Defined benefit pension fund assets	(1 688)		(1 688)	
Capitalised software and development costs	(4 196)		(3 992)	
Investments in the common stock of financial entities (amount above 10% threshold)	(4 645)		0	
Other regulatory differences and non- qualifying reserves	(305)		(1 781)	
Additional Tier 1 Capital	3 106	0,6%	3 188	0,8%
Preference share capital and premium	3 561		3 561	
Grandfathering and other regulatory adjustments	(455)		(373)	
Tier 2 Capital	10 741	2,1%	10 831	2,5%
Long-term liabilities	10 825		10 825	
General allowance for credit impairment	111		6	
Grandfathering and other adjustments	(195)		0	
Total Capital	71 700	14,1%	59 187	13,8%
Excluding unappropriated profits				
Tier 1 Capital	55 277	10,8%	44 781	10,5%
Common Equity Tier 1 Capital	52 171	10,2%	41 593	9,7%
Total Capital	66 018	13,0%	55 612	13,0%

Minimum required capital and reserve funds per risk type	Nedbank Group			Nedbank Limited		
	Pillar 1	Pillar 2a	Total	Pillar 1	Pillar 2a	Total
Minimum ratios	8,0%	1,75%	9,75%	8,0%	1,75%	9,75%

Credit Risk	31 512	6 893	38 405	27 249	5 961	33 210
Equity Risk	1 082	237	1 319	810	177	987
Market Risk	1 068	234	1 302	919	201	1 120
Operational risk	4 665	1 020	5 685	3 993	873	4 866
Other	2 446	535	2 981	1 307	286	1 593
Total Minimum required capital and reserve funds	40 773	8 919	49 692	34 278	7 498	41 776

Notes:

1. *Minimum required capital and reserve funds have been reported at 9,75%, in terms of Directive 05/2011 issued in terms of section 6(4) of the Banks Act, 1990.*
2. *Regulation requires details of any risk exposure or other item that is subject to rapid or material change. These are detailed in the trading update released on 5 May 2016.*

LEVERAGE RATIO

The leverage ratio is a supplementary measure to risk-based capital requirements. Nedbank Group's and Nedbank Limited's leverage ratios are well above minimum regulatory requirements.

Leverage ratio	Nedbank Group	Nedbank Limited
Tier 1 Capital (including unappropriated profit) (Rm)	60 959	48 356
Tier 1 Capital (excluding unappropriated profit) (Rm)	55 277	44 781
Total exposures (Rm)	988 224	879 798
Leverage ratio (including unappropriated profit) (%)	6,2%	5,5%
Leverage ratio (excluding unappropriated profit) (%)	5,6%	5,1%
Minimum required leverage ratio	4,0%	4,0%

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 in January 2013, the LCR is being phased-in starting at 60% on 1 January 2015 and increasing by 10% each year to 100% on 1 January 2019.

The LCR for Nedbank Group and Nedbank Limited are well above minimum regulatory requirements. These are set out in the following table:

	Nedbank Group[1]	Nedbank Limited
High Quality Liquid Assets (Rm)[2]	124 436	120 383
Net Cash Outflows (Rm)[2]	147 211	138 930
Liquidity Coverage Ratio (%)[2]	84,5%	86,6%
Minimum requirement (%)[2]	70%	70%

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 70% 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 2016, 29 February 2016 and 31 March 2016, 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
5 May 2016

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