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 GROUP – THIRD QUARTER 2015 TRADING UPDATE

"Nedbank Group delivered a resilient performance for the nine months, despite the weaker than expected economic environments and volatile market conditions in South Africa and in the rest of Africa.

Our expectation of organic growth in diluted headline earnings per share in 2015 to be above nominal GDP growth remains unchanged."

Mike Brown
Chief Executive

OPERATIONAL PERFORMANCE

Net interest income for the nine months ended 30 September 2015 ("the period") increased 3,7% to R17 681m (Q3 2014: R17 043m), supported by annualised growth in average interest-earning banking assets of 10,4% (Q3 2014: 9,9%), including an increased proportion of high quality liquid assets held for Basel III liquidity coverage ratio requirements.

The net interest margin narrowed to 3,32% (Q3 2014: 3,53% and June 2015: 3,36%) as the benefits of endowment income and improved pricing in certain advances categories were offset by asset mix changes, increased levels of high-quality liquid assets and a higher cost of funding, inclusive of the funding cost of our investment in ETI.

The credit loss ratio (CLR) remained below our through-the-cycle target range at 0,76% (Q3 2014: 0,77%). The retail portfolio continued to benefit from selective origination, prudent credit granting criteria and good collections in home loans and personal loans. In wholesale banking, portfolio and specific provisions were further strengthened, driven by pressure in the commodity sectors, offset in part by some recoveries in commercial property finance.

Non-interest revenue (NIR) increased 7,6% to R15 614m (Q3 2014: R14 509m) due to:

- Commission and fee income growth of 6,3% underpinned by continued net gains in transactional banking clients, improved cross-sell and growing contributions from our digital banking products. Growth was negatively impacted by ongoing lower card interchange rates;
- Trading income growth of 23,6% driven by good performance in our client-led Markets business;
- Insurance income reducing by 2,1% following lower personal loan volumes, partially offset by a lower short-term claims experience; and
- Private equity and sundry income decreasing 16,6% from lower mark-to-market valuations in the investment portfolios.

We continue to equity account our share of approximately 20% of Ecobank Transnational Incorporated’s (ETI) attributable income as associate income, one quarter in arrears, using ETI’s publicly disclosed results.

Total advances increased 10,4% (annualised) to R660,8bn, largely due to growth in banking advances of 9,0%. Deposits increased 11,3% (annualised) to R708,5bn.

Our balance sheet metrics remain strong. Following organic earnings growth and the payment of the interim dividend in September 2015, the group's capital ratios are:

Nedbank Group	**Q3 2015**	**June 2015**	**Internal target range**	**Regulatory minimum[1]**
Common-equity tier 1 capital ratio	11,1%	11,4%	10,5% – 12,5%	6,5%
Tier 1 capital ratio	11,8%	12,1%	11,5% – 13,0%	8,0%
Total capital ratio	14,0%	14,5%	14,0% – 15,0%	10,0%

(Ratios include unappropriated profits.)

1. *The Basel III regulatory minima are being phased in between 2013 and 2019, and exclude Pillar 2B add-ons.*

The group's quarterly average liquidity coverage ratio of 82,3% (June 2015: 76,3%) remains well in excess of the minimum regulatory requirement of 60% for 2015 and 70% for 2016.

2015 PROSPECTS

The group has revised its forecast for gross domestic product (GDP) growth for 2015 downwards from 2,0% to 1,4%. Interest rates are currently forecast to increase by a further 25 basis points in November 2015, resulting in a cumulative 50 basis point increase for 2015.

In view of the economic headwinds and increasing interest rate cycle, consumer credit demand will remain subdued while credit growth in the wholesale sector is expected to remain at current levels.

Retail impairments are expected to remain benign while wholesale impairments are likely to be more volatile in South Africa and in the rest of Africa.

Our financial guidance for organic growth in DHEPS in 2015 to be greater than nominal GDP growth remains unchanged as communicated at the 2015 interim results presentation.

Shareholders are advised that the forecasts and figures stated in this trading update have not been reviewed or reported on by the group's auditors.

BOARD CHANGES

During the period the boards of Nedbank Group and Nedbank Limited announced the following:

- The appointment of Stanley Subramoney as an independent non-executive director of Nedbank Group and Nedbank with effect from 23 September 2015; and
- The retirement of Julian Roberts as a non-executive director on 31 October 2015 following his retirement from Old Mutual plc.

FORWARD-LOOKING STATEMENT

This announcement contains certain forward-looking statements with respect to the financial condition and results of operations of Nedbank Group and its group companies, which by their nature involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global, national and regional economic conditions, levels of securities markets, interest rates, credit or other risks of lending and investment activities, together with competitive and regulatory factors.

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2 November 2015

Sponsors to Nedbank Group in South Africa:

Merrill Lynch South Africa (Pty) Limited

Nedbank Corporate and Investment Banking

Sponsor to Nedbank Group in Namibia:

Old Mutual Investment Services (Namibia) (Pty) Ltd