

ABSA GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1986/003934/06)

ISIN: ZAE000255915

JSE share code: ABG

Bond code: ABGI

(Absa Group or the Group)

ABSA BANK LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1986/004794/06)

ISIN: ZAE000079810

JSE share code: ABSP

Bond code: BIABS

(Absa Bank or the Bank)

ABSA GROUP – BASEL III PILLAR 3 DISCLOSURE AS AT 31 MARCH 2022

This Pillar 3 disclosure contains the quantitative Pillar 3 disclosure requirements in respect of Absa Group and Absa Bank. The quarterly report provides a view of the Group's regulatory capital and risk exposures, and it complies with:

- The Basel Committee on Banking Supervision (BCBS) revised Pillar 3 disclosure requirements (Pillar 3 standard).
- Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the revised Pillar 3 disclosure requirements.

1. Key prudential metrics and RWA

In line with regulatory and accounting requirements, the capital and leverage positions of the Group and the Bank in this document are reflected on a regulatory basis (which requires unappropriated profits to be excluded). The capital and leverage positions of the Group are also managed on a statutory basis (which includes unappropriated profits).

The Group liquidity coverage ratio (LCR) reflects an aggregation of the Bank LCR and the LCR of the Absa Regional Operations (ARO). For this purpose, a simple average of the relevant three month-end data points is used for ARO. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.

The summary table below provides key capital adequacy and liquidity information on both a regulatory and statutory basis as at 31 March 2022.

1.1 Capital adequacy and liquidity

		31 March 2022	31 December 2021	31 March 2022	31 December 2021	
	Board target ranges¹	Minimum regulatory requirements²	Group performance	Group performance	Bank performance	Bank performance
Statutory capital ratios (includes unappropriated profits) (%)						
Common equity tier 1 (CET1)	11.0 – 12.5		12.6	12.8	12.4	12.4
Tier 1	>12.0		14.3	14.6	14.7	14.8
Total capital adequacy requirement (CAR)	>14.5		16.5	17.0	17.5	17.9
Leverage	5.5 – 7.5		7.8	7.9	6.4	6.5
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET1		8.5	12.0	12.2	11.9	11.9
Tier 1		10.3	13.7	14.1	14.2	14.3
Total CAR		12.5	15.9	16.5	16.9	17.5
Leverage		4.0	7.4	7.6	6.2	6.3
LCR (%)		90.0 ³	119.1	116.8	122.2	124.5
Net stable funding ratio (NSFR) (%)		100.0	113.8	116.1	108.4	110.1

1.2 KM1: Key metrics (at consolidated group level)⁴

	a	b	c	d	e
	31 March 2022	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Available capital (Rm)					
1 CET1	110 721	114 080	108 822	107 437	103 041
2 Tier 1	126 582	131 059	125 163	123 508	111 990
3 Total capital	146 583	153 534	148 281	147 781	136 908
RWA (Rm)					
4 Total RWA	923 058	931 524	916 711	891 769	904 628
Risk-based capital ratios as a percentage of RWA (%)					
5 CET1 ratio	12.0	12.2	11.9	12.1	11.4
6 Tier 1 ratio	13.7	14.1	13.7	13.9	12.4
7 Total capital ratio	15.9	16.5	16.2	16.6	15.1
Additional CET1 buffer requirements as a percentage of RWA (%)					
8 Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9 Countercyclical buffer requirement ⁵	-	-	-	-	-
10 Global systemically important banks (G-SIB) and/or domestic systemically important banks (D-SIB) additional requirements	1.0	1.0	1.0	1.0	0.5
11 Total of bank CET1 specific buffer requirements (Row 8 + row 9 + row 10)	3.5	3.5	3.5	3.5	3.0
12 CET1 available after meeting the bank's minimum capital requirements	3.5	4.2	3.9	4.1	3.9
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure (Rm)	1 705 152	1 716 289	1 697 416	1 645 788	1 614 976
14 Basel III leverage ratio (%) (row 2 / row 13)	7.4	7.6	7.4	7.5	6.9
LCR					
15 Total high-quality liquid assets (HQLA) (Rm)	211 840	206 880	196 248	214 589	206 410
16 Total net cash outflow (Rm)	177 802	177 075	166 010	173 009	175 300
17 LCR (%)	119.1	116.8	118.2	124.0	117.7
NSFR					
18 Total available stable funding (ASF) (Rm)	973 930	1 003 080	987 128	962 485	942 574
19 Total required stable funding (RSF) (Rm)	855 523	863 640	828 853	813 629	812 689
20 NSFR (%)	113.8	116.1	119.1	118.3	116.0

1.3 OV1: Overview of RWA

	Group			Bank ⁶		
	a 31 March 2022 RWA Rm	b 31 December 2021 RWA Rm	c 31 March 2022 MRC ⁷ Rm	a 31 March 2022 RWA Rm	b 31 December 2021 RWA Rm	c 31 March 2022 MRC ⁷ Rm
1 Credit risk (excluding counterparty credit risk (CCR))	658 587	675 930	82 323	456 994	463 433	57 123
2 Of which: standardised approach (SA)	187 591	198 515	23 449	386	430	48
3 Of which: foundation internal ratings-based (FIRB) approach	-	-	-	-	-	-
4 Of which: supervisory slotting approach	-	-	-	-	-	-
5 Of which: advanced internal ratings-based (AIRB) approach	470 996	477 415	58 874	456 608	463 003	57 075
6 CCR	21 964	16 254	2 746	19 594	14 780	2 449
7 Of which: standardised approach for CCR (SA-CCR)	21 964	16 254	2 746	19 594	14 780	2 449
8 Of which: internal model method (IMM)	-	-	-	-	-	-
9 Of which: other CCR	-	-	-	-	-	-
10 Credit valuation adjustment (CVA)	15 067	10 203	1 883	11 854	8 594	1 482
11 Equity positions under the simple risk weight approach	3 248	3 578	406	1 767	1 815	221
12 Equity investments in funds – look-through approach	8 599	9 172	1 075	2 549	2 396	319
13 Equity investments in funds – mandate-based approach	-	-	-	-	-	-
14 Equity investments in funds – fall-back approach	483	446	60	-	199	-
15 Settlement risk	1 039	1 191	130	989	1 133	124
16 Securitisation exposures in banking book	3 656	3 937	457	3 656	3 937	457
17 Of which: IRB ratings-based approach (SEC-IRBA)	3 656	3 937	457	3 656	3 937	457
18 Of which: securitisation external ratings-based approach (RBA) (SEC-ERBA), including internal assessment approach (IAA)	-	-	-	-	-	-
19 Of which: securitisation SA (SEC-SA)	-	-	-	-	-	-
20 Traded market risk	35 475	39 183	4 435	23 280	25 838	2 910
21 Of which: SA	18 996	19 693	2 375	6 801	6 348	850
22 Of which: internal model approach (IMA)	16 479	19 490	2 060	16 479	19 490	2 060
23 Capital charge for switch between trading book and banking book	-	-	-	-	-	-
24 Operational risk	115 059	115 059	14 382	73 504	73 504	9 188
Non-customer assets	28 783	25 519	3 598	16 014	16 046	2 002
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	23 488	23 442	2 936	11 156	11 270	1 395
26 Floor adjustment (after application of transitional cap) ⁸	7 610	7 610	951	7 035	7 035	879
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26+non-customer assets)	923 058	931 524	115 382	628 392	629 980	78 549

1.4 CR8: RWA flow statements of credit risk exposures under IRB

	a 31 March 2022 RWA amounts Rm	a 31 December 2021 RWA amounts Rm
1 RWA as at end of previous quarter	477 415	474 696
2 Asset size	8 427	8 002
3 Asset quality	(2 238)	(532)
4 Model updates	(7 652)	(15 195)
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	(2 760)	1 186
8 Other ⁹	(2 196)	9 258
9 RWA as at end of reporting period	470 996	477 415

1.5 MR2: RWA flow statements of market risk exposures under IMA

	a	b	31 March 2022		e	f
	Value at risk (VaR) Rm	Stressed value at risk (sVaR) Rm	Incremental risk charge (IRC) Rm	Credit risk mitigation (CRM) Rm	Other Rm	Total RWA Rm
1 RWA at previous quarter end	8 244	11 245	-	-	-	19 490
2 Movements in risk levels	(945)	(2 066)	-	-	-	(3 011)
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	7 299	9 179	-	-	-	16 479

	a	b	31 December 2021		e	f
	VaR Rm	sVaR Rm	IRC Rm	CRM Rm	Other Rm	Total RWA Rm
1 RWA at previous quarter end	7 814	11 905	-	-	-	19 719
2 Movements in risk levels	430	(660)	-	-	-	(229)
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	8 244	11 245	-	-	-	19 490

2. Leverage

Consistent with the treatment in table KM1, the leverage position below is shown on a regulatory basis.

2.1 LR1: Summary comparison of accounting assets versus leverage ratio exposure measure¹⁰

	Group		Bank	
	a 31 March 2022 Rm	b 31 December 2021 Rm	a 31 March 2022 Rm	b 31 December 2021 Rm
1 Total consolidated assets	1 632 126	1 640 833	1 363 524	1 350 998
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(33 381)	(33 081)	-	-
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	(1 641)	(2 569)	(1 429)	(2 526)
5 Adjustments for securities financing transactions (i.e. repos and similar secured lending)	-	-	-	-
6 Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	120 663	123 674	98 130	99 170
7 Other adjustments	(12 615)	(12 568)	(11 922)	(11 819)
8 Leverage ratio exposure measure	1 705 152	1 716 289	1 448 303	1 435 823

2.2 LR2: Leverage ratio common disclosure template

	Group		Bank		
	a 31 March 2022 Rm	b 31 December 2021 Rm	a 31 March 2022 Rm	b 31 December 2021 Rm	
On-balance sheet exposures					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral) ¹¹	1 453 750	1 461 297	1 221 886	1 212 365
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(12 615)	(12 568)	(11 922)	(11 819)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2) ¹¹	1 441 135	1 448 729	1 209 964	1 200 546
Derivative exposures					
4	Replacement cost associated with all derivative transactions (where applicable net of eligible cash variation margin and/ or with bilateral netting)	41 904	26 071	40 780	25 428
5	Add-on amounts for potential future exposure (PFE) associated with all derivative transactions	31 133	32 639	30 298	31 834
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	-	-	-	-
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions) ¹¹	(4 701)	(6 103)	(4 701)	(6 103)
8	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-	-	-
9	Adjusted effective notional amount of written credit derivative	5 175	5 287	5 175	5 287
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11	Total derivative exposures (sum of rows 4 to 10) ¹¹	73 511	57 894	71 552	56 446
Security financing transaction exposures					
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	69 843	85 992	68 657	79 661
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-
14	CCR exposure for SFT assets	-	-	-	-
15	Agent transaction exposures	-	-	-	-
16	Total securities financing transaction exposures (sum of rows 12 to 15)	69 843	85 992	68 657	79 661
Other off-balance sheet exposures					
17	Off-balance sheet exposures at gross notional amount	369 367	374 839	313 915	315 079
18	(Adjustments for conversion to credit equivalent amounts)	(248 704)	(251 165)	(215 785)	(215 909)
19	Off-balance sheet items (sum of rows 17 and 18)	120 663	123 674	98 130	99 170
Capital and total exposures					
20	Tier 1 capital (excluding unappropriated profits)	126 582	131 059	89 171	90 279
21	Total exposures (sum of lines 3, 11, 16 and 19)	1 705 152	1 716 289	1 448 303	1 435 823
Leverage ratio					
22	Basel III leverage ratio	7.4	7.6	6.2	6.3

3. Liquidity

3.1 LIQ1: Liquidity coverage ratio (LCR)

Group	31 March 2022		31 December 2021	
	Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm
High-quality liquid assets (HQLA)				
1 Total HQLA		211 840		206 880
Cash outflows				
2 Retail deposits and deposits from small business customers of which:	431 674	33 319	435 400	33 448
3 Stable deposits	-	-	-	-
4 Less stable deposits	431 674	33 319	435 400	33 448
5 Unsecured wholesale funding of which:	490 404	243 911	495 655	246 822
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	150 055	37 514	147 790	36 947
7 Non-operational deposits (all counterparties)	336 357	202 405	345 235	207 245
8 Unsecured debt	3 992	3 992	2 630	2 630
9 Secured wholesale funding		400		743
10 Additional requirements of which:	310 872	35 067	310 293	35 881
11 Outflows related to derivative exposures and other collateral requirements	11 577	11 577	12 418	12 418
12 Outflows related to loss of funding on debt products	-	-	-	-
13 Credit and liquidity facilities	299 295	23 490	297 875	23 463
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	149 743	6 437	149 080	6 425
16 Total cash outflows (Sum of lines 2+5+9+10+14+15)		319 134		323 319
Cash inflows				
17 Secured lending (e.g. reverse repos)	28 670	3 573	41 836	6 560
18 Inflows from fully performing exposures	152 456	127 448	147 266	123 336
19 Other cash inflows	11 880	10 311	17 987	16 348
20 Total cash inflows (Sum of lines 17-19)	193 006	141 332	207 089	146 244
		Total weighted value		Total weighted value
High-quality liquid assets (HQLA)				
21 Total HQLA (Rm)		211 840		206 880
22 Total net cash outflows (Rm)		177 802		177 075
23 LCR (%) ¹²		119.1		116.8

	a		b	
	31 March 2022		31 December 2021	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	Rm	Rm	Rm	Rm
Bank¹³				
High-quality liquid assets (HQLA)				
1 Total HQLA		186 662		182 584
Cash outflows				
2 Retail deposits and deposits from small business customers of which:	348 498	26 171	350 282	26 214
3 Stable deposits	-	-	-	-
4 Less stable deposits	348 498	26 171	350 282	26 214
5 Unsecured wholesale funding of which:	400 212	204 492	396 408	202 705
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	150 055	37 514	147 790	36 947
7 Non-operational deposits (all counterparties)	246 795	163 616	246 572	163 712
8 Unsecured debt	3 362	3 362	2 046	2 046
9 Secured wholesale funding		400		743
10 Additional requirements of which:	282 321	30 603	282 112	32 843
11 Outflows related to derivative exposures and other collateral requirements	9 567	9 567	11 854	11 854
12 Outflows related to loss of funding on debt products	-	-	-	-
13 Credit and liquidity facilities	272 754	21 036	270 258	20 989
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	124 445	5 385	122 430	5 298
16 Total cash outflows (Sum of lines 2+5+9+10+14+15)		267 051		267 803
Cash inflows				
17 Secured lending (e.g. reverse repos)	28 670	3 573	41 836	6 560
18 Inflows from fully performing exposures	123 371	103 856	126 054	106 874
19 Other cash inflows	8 431	6 862	9 303	7 664
20 Total cash inflows (Sum of lines 17-19)	160 472	114 291	177 193	121 098
		Total weighted value		Total weighted value
High-quality liquid assets (HQLA)				
21 Total HQLA (Rm)		186 662		182 584
22 Total net cash outflows (Rm)		152 760		146 705
23 LCR (%)		122.2		124.5

Johannesburg
31 May 2022

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Lead Independent Sponsor:

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Notes:

- ¹ Capital ratios (including unappropriated profits) are managed against Board capital target ranges. The Absa Bank Limited CET1 Board target range is 10.5% to 12.0% and Absa Bank Leverage Board Target is 5.0% to 7.0%.
- ² The 2022 minimum total regulatory CAR of 12.5% includes the capital conservation buffer, Pillar 2A at 1.00% and the D-SIB add-on but excludes the bank-specific individual capital requirement (Pillar 2B add-on).
- ³ The LCR minimum regulatory requirements increased from 80% to 90% with effect from 1 January 2022.
- ⁴ The fully loaded accounted ECL basis has been fully transitioned in.
- ⁵ The countercyclical buffer in South Africa is currently zero.
- ⁶ Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.
- ⁷ The 2022 minimum total regulatory capital adequacy requirement of 12.5% includes the capital conservation buffer, Pillar 2A at zero percent and the D-SIB add-on but excludes the bank specific individual capital requirement (Pillar 2B add-on).
- ⁸ Includes the operational risk floor.
- ⁹ Other reflects RWA movements on non-performing loans due to misalignment of the definition of default between IFRS 9 impairment and regulatory capital models.
- ¹⁰ Numbers reported are on a regulatory quarter-end basis.
- ¹¹ Prior period restated with a move of the cash variation margin deduction from line 1 to line 7.
- ¹² The Group LCR reflects an aggregation of the Bank LCR and the ARO LCR. For this purpose, a simple average of the relevant three month-end data points is used in ARO, noting that, at a legal entity level, the ARO LCR is capped at 90% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.
- ¹³ The Bank LCR was calculated as a simple average of 90 calendar-day LCR observations.