



Absa Group Limited

Pillar 3 risk management report
for the quarter ended 31 March 2021



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The Pillar 3 risk management report provides the quarterly view of Absa Group Limited (the Group) and Absa Bank Limited (the Bank) regulatory capital and risk exposures. It complies with:

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Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the Pillar 3 disclosure requirements.

Management and the members of the Group Risk and Capital Management Committee (GRCMC) reviewed the report. For the reporting period, the Board is satisfied that the Group's risk and capital management processes operated effectively, and the Group is adequately capitalised and funded to support the execution of its strategy.

The information in this report is unaudited.



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). However, the capital and leverage positions of the Group are also managed on a statutory basis (which includes unappropriated profits). The summary table below provides key capital adequacy and liquidity information on both a regulatory and statutory basis as at 31 March 2021.

1.1 Capital adequacy and liquidity

	Group Board target ranges ¹ %	Minimum RC requirements ² %	Group		Bank	
			Actual 31 March 2021 %	Actual 31 December 2020 %	Actual 31 March 2021 %	Actual 31 December 2020 %
Statutory capital ratios (includes unappropriated profits)						
Common equity tier 1 (CET1)	11.00 – 12.50		11.9	11.2	11.2	10.6
Tier 1	>12.00		12.9	12.2	12.4	11.9
Total capital adequacy requirement (CAR)	>14.50		15.6	15.0	16.0	15.6
Leverage	5.50 – 7.50		7.2	7.2	5.7	5.7
Regulatory Capital ratios (excludes unappropriated profits)						
CET1		7.5	11.4	11.2	10.8	10.6
Tier 1		9.3	12.4	12.2	12.0	11.9
Total CAR		11.5	15.1	15.0	15.5	15.6
Leverage		4.0	6.9	7.2	5.5	5.7
Liquidity coverage ratio (LCR) (%)			117.7	120.6	123.9	126.9
Net stable funding ratio (%)			116.0	115.9	109.4	109.4

¹ Statutory capital ratios (including unappropriated profits) are managed against Board capital target ranges.

² The 2020 minimum total regulatory capital adequacy requirement of 11.5% 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).



1. Key prudential metrics and RWA

1.2 KM1: Key metrics (at consolidated group level)

	a	b	c	d	e
	31 March 2021 ¹	31 December 2020	30 September 2020	30 June 2020	31 March 2020
Available capital (Rm)					
1 CET1 transitional basis	103 041	102 496	104 119	102 818	103 450
1a Fully loaded ECL accounting model	103 041	101 632	103 255	101 954	102 586
2 Tier 1 transitional basis	111 990	111 803	112 189	110 885	111 636
2a Fully loaded ECL accounting model Tier 1	111 990	110 939	111 325	110 021	110 772
3 Total capital transitional basis	136 908	137 454	139 143	139 411	137 789
3a Fully loaded ECL accounting model total capital	136 908	136 590	138 279	138 547	136 924
RWA (Rm)					
4 Total RWA transitional basis	904 628	915 061	921 129	935 766	939 800
4a Fully loaded RWA	904 628	911 488	917 556	932 193	936 226
Risk-based capital ratios as a percentage of RWA (%)					
5 CET1 ratio transitional basis	11.4	11.2	11.3	11.0	11.0
5a Fully loaded ECL accounting model CET1	11.4	11.2	11.3	10.9	11.0
6 Tier 1 ratio transitional basis	12.4	12.2	12.2	11.9	11.9
6a Fully loaded ECL accounting model Tier 1 ratio	12.4	12.2	12.1	11.8	11.8
7 Total capital ratio transitional basis	15.1	15.0	15.1	14.9	14.7
7a Fully loaded ECL accounting model total capital ratio	15.1	15.0	15.1	14.9	14.6
Additional CET1 buffer requirements as a percentage of RWA (%)					
8 Capital conservation buffer requirement (2.5% from 2019)	2.5	2.5	2.5	2.5	2.5
9 Countercyclical buffer requirement ²	-	-	-	-	-
10 Bank global systemically important banks (G-SIB) and/or domestic systemically important banks (D-SIB) additional requirements ³	0.5	0.5	0.5	0.5	0.5
11 Total of bank CET1 specific buffer requirements (Row 8 + row 9 + row 10)	3.0	3.0	3.0	3.0	3.0
12 CET1 available after meeting the bank's minimum capital requirements ³	3.9	3.7	3.8	3.5	3.0
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure (Rm)	1 614 976	1 560 437	1 733 777	1 707 091	1 703 332
14 Basel III leverage ratio (%) (row 2 / row 13) transitional basis	6.9	7.2	6.5	6.5	6.6
14a Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	6.9	7.1	6.4	6.4	6.5
LCR⁴					
15 Total high-quality liquid assets (HQLA) (Rm)	206 410	213 637	235 845	215 229	176 982
16 Total net cash outflow (Rm)	175 300	177 135	169 516	169 966	146 514
17 LCR (%)	117.7	120.6	139.2	126.6	120.8
Net stable funding ratio (NSFR)					
18 Total available stable funding (ASF) (Rm)	942 574	933 882	951 963	952 906	928 531
19 Total required stable funding (RSF) (Rm)	812 689	805 814	800 811	813 876	828 278
20 NSFR (%)	116.0	115.9	118.9	117.1	112.1

¹ The four-year transition period for phasing in the RC impact of IFRS 9, as afforded by Directive 5 issued by the PA has been concluded at the end of the 2020 financial year therefore there is no longer a difference between capital and leverage position of the Group on a fully loaded and transitional basis.

² The countercyclical buffer is not required for banks in South Africa.

³ SARB Directive 4/2020 requires the D-SIB add-on to be disclosed. Previously the disclosure of the D-SIB add-on was not a disclosure requirement. Comparatives have been restated to allow for better comparability with prior period disclosures.

⁴ 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 for ARO. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.



1. Key prudential metrics and RWA

1.3 OV1: Overview of RWA

	Group			Bank ¹		
	a	b	c	a	b	c
	31 March 2021	31 December 2020	31 March 2021	31 March 2021	31 December 2020	31 March 2021
	RWA Rm	RWA Rm	MCR ² Rm	RWA Rm	RWA Rm	MCR ² Rm
1 Credit risk (excluding counterparty credit risk (CCR))	657 594	663 636	75 624	467 739	467 595	53 790
2 Of which: standardised approach (SA)	174 683	180 421	20 089	24	62	3
3 Of which: foundation internal ratings-based (FIRB) approach	-	-	-	-	-	-
4 Of which: supervisory slotting approach	-	-	-	-	-	-
5 Of which: advanced internal ratings-based (AIRB) approach	482 911	483 215	55 535	467 715	467 533	53 787
6 CCR	18 082	20 210	2 079	17 436	19 443	2 005
7 Of which: standardised approach for CCR (SA-CCR) ³	18 082	20 210	2 079	17 436	19 443	2 005
8 Of which: internal model method (IMM)	-	-	-	-	-	-
9 Of which: other CCR	-	-	-	-	-	-
10 Credit valuation adjustment (CVA)	12 091	14 663	1 390	11 676	13 844	1 343
11 Equity positions under the simple risk weight approach	4 047	4 080	465	1 714	1 714	197
12 Equity investments in funds – look-through approach	7 556	7 262	869	373	378	43
13 Equity investments in funds – mandate-based approach	-	-	-	-	-	-
14 Equity investments in funds – fall-back approach	-	-	-	-	-	-
15 Settlement risk	940	762	108	892	704	102
16 Securitisation exposures in banking book	4 320	4 451	497	4 320	4 451	497
17 Of which: IRB ratings-based approach (SEC-IRBA)	4 320	4 451	497	4 320	4 451	497
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	37 356	40 110	4 296	23 772	28 944	2 734
21 Of which: SA	19 298	18 142	2 219	5 714	6 976	657
22 Of which: internal model approach (IMA)	18 058	21 968	2 077	18 058	21 968	2 077
23 Capital charge for switch between trading book and banking book	-	-	-	-	-	-
24 Operational risk	117 197	117 197	13 478	80 107	80 107	9 212
Non-customer assets	24 009	25 483	2 761	17 436	18 637	2 005
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	21 436	17 207	2 465	9 226	4 227	1 061
26 Floor adjustment (after application of transitional cap) ⁴	-	-	-	-	-	-
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26+non-customer assets)	904 628	915 061	104 032	634 691	640 044	72 989

¹ Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

² The 2020 minimum regulatory capital requirements (MCR) of 11.5% 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).

³ SA-CCR amount is calculated using the CEM.

⁴ The floor adjustment is not required for March 2021, due to the operational risk AMA modelled amount exceeding the AMA floor by R4.4bn.



1. Key prudential metrics and RWA

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

	a 31 March 2021 RWA amounts Rm	a 31 December 2020 RWA amounts Rm
1 RWA as at end of previous quarter	483 215	473 407
2 Asset size	155	(2 285)
3 Asset quality	2 955	15 659
4 Model updates	-	193
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	159	(3 759)
8 Other	(3 573) ¹	-
9 RWA as at end of reporting period	482 911	483 215

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

	a	b	31 March 2021				f
	Value at risk (VaR) Rm	stressed value at risk (sVaR) Rm	c IRC ² Rm	d CRM Rm	e Other Rm	Total RWA Rm	f Total RWA Rm
1 RWA at previous quarter end	7 946	14 022	-	-	-	21 968	21 968
2 Movements in risk levels	(1 240)	(2 670)	-	-	-	(3 910)	(3 910)
3 Model updates/changes	-	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-	-
6 Other	-	-	-	-	-	-	-
7 RWA at end of reporting period	6 706	11 352	-	-	-	18 058	18 058

	a	b	31 December 2020				f
	VaR Rm	sVaR Rm	c IRC Rm	d CRM Rm	e Other Rm	Total RWA Rm	f Total RWA Rm
1 RWA at previous quarter end	8 601	14 585	-	-	-	23 186	23 186
2 Movements in risk levels	(596)	(382)	-	-	-	(978)	(978)
3 Model updates/changes	(59)	(181)	-	-	-	(240)	(240)
4 Methodology and policy	-	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-	-
6 Other	-	-	-	-	-	-	-
7 RWA at end of reporting period	7 946	14 022	-	-	-	21 968	21 968

¹ The four-year transition period for phasing in the RC impact of IFRS 9, as afforded by Directive 5 issued by the PA has been concluded at the end of the 2020 financial year.

²IRC: incremental risk charge.



2. Leverage

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

2.1 LR1: Summary comparison of accounting assets versus leverage ratio exposure measure¹

	Group		Bank	
	a	b	a	b
	31 March 2021	31 December 2020	31 March 2021	31 December 2020
	Rm	Rm	Rm	Rm
1 Total consolidated assets	1 550 717	1 531 120	1 293 609	1 286 275
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(33 938)	(34 658)	-	-
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	(13 820)	(43 888)	(13 175)	(43 173)
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)	123 479	120 386	101 890	98 753
7 Other adjustments	(11 462)	(12 523)	(10 630)	(10 867)
8 Leverage ratio exposure measure	1 614 976	1 560 437	1 371 694	1 330 988

¹ Numbers reported are on a regulatory quarter-end basis



2. Leverage

2.2 LR2: Leverage ratio common disclosure template¹

	Group		Bank	
	a	b	a	b
	31 March 2021	31 December 2020 ²	31 March 2021	31 December 2020 ²
	Rm	Rm	Rm	Rm
On-balance sheet exposures				
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 343 236	1 312 909	1 120 692	1 103 574
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(10 465)	(11 534)	(9 331)	(10 015)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	1 332 771	1 301 374	1 111 361	1 093 559
Derivative exposures				
4 Replacement cost associated with all derivative transactions (where applicable net of eligible cash variation margin and/ or with bilateral netting)	30 869	32 286	30 869	32 286
5 Add-on amounts for potential future exposure (PFE) associated with all derivative transactions	23 006	26 539	23 006	26 539
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)	-	-	-	-
8 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-	-	-
9 Adjusted effective notional amount of written credit derivative	6 438	7 139	6 438	7 139
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11 Total derivative exposures (sum of rows 4 to 10)	60 313	65 964	60 313	65 964
Security financing transaction exposures				
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	98 413	72 712	98 130	72 712
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)	98 413	72 712	98 130	72 712
Other off-balance sheet exposures				
17 Off-balance sheet exposures at gross notional amount	350 058	355 205	294 292	300 606
18 (Adjustments for conversion to credit equivalent amounts)	(226 579)	(234 819)	(192 402)	(201 853)
19 Off-balance sheet items (sum of rows 17 and 18)	123 479	120 386	101 890	98 753
Capital and total exposures				
20 Tier 1 capital (excluding unappropriated profits)	111 990	111 803	75 893	75 984
21 Total exposures excluding IFRS 9 adjustment (sum of lines 3, 11, 16 and 19)	1 614 976	1 560 437	1 371 694	1 330 988
Leverage ratio				
22 Basel III leverage ratio	6.9	7.2	5.5	5.7

¹ Numbers reported are on a regulatory quarter-end basis.

² Lines 1-4 and 11 were restated for the correct disclosure of derivative asset components. Cash variation margin received on derivative assets were moved from line 1 to line 4.



3. Liquidity

3.1 LIQ1: Liquidity coverage ratio (LCR)

The Group LCR reflects an aggregation of the Bank LCR and the LCR of Absa Regional Operations (ARO). For this purpose, the Bank LCR is calculated as a simple average of 90 calendar-day LCR observations and the ARO LCR is derived from a simple average of the relevant 3 month-end data points.

Group	31 March 2021		31 December 2020	
	a Total unweighted value (average) Rm	b Total weighted value (average) Rm	a Total unweighted value (average) Rm	b Total weighted value (average) Rm
High-quality liquid assets (HQLA)				
1 Total HQLA		206 410		213 637
Cash outflows				
2 Retail deposits and deposits from small business customers, of which:	386 185	29 206	386 685	29 018
3 Stable deposits	-	-	-	-
4 Less stable deposits	386 185	29 206	386 685	29 018
5 Unsecured wholesale funding, of which:	476 573	237 795	448 325	227 388
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	163 686	40 921	149 093	37 273
7 Non-operational deposits (all counterparties)	306 013	190 000	291 890	182 773
8 Unsecured debt	6 874	6 874	7 342	7 342
9 Secured wholesale funding		620		125
10 Additional requirements, of which:	299 966	38 394	310 373	42 094
11 Outflows related to derivative exposures and other collateral requirements	15 631	15 631	19 690	19 690
12 Outflows related to loss of funding on debt products	-	-	-	-
13 Credit and liquidity facilities	284 335	22 763	290 683	22 404
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	154 785	6 831	172 386	7 568
16 Total cash outflows		312 846		306 193
Cash inflows				
17 Secured lending (e.g. reverse repos)	35 172	3 257	30 262	2 411
18 Inflows from fully performing exposures	142 441	121 118	133 547	114 330
19 Other cash inflows	15 317	13 171	13 305	12 317
20 Total cash inflows		192 930		177 114
		Total weighted value		Total weighted value
21 Total HQLA (Rm)		206 410		213 637
22 Total net cash outflows (Rm)		175 300		177 135
23 LCR (%)		117.7		120.6



Bank ¹	a		b		a		b	
	31 March 2021		31 December 2020		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		186 863						194 495
Cash outflows								
2 Retail deposits and deposits from small business customers, of which:	309 875	22 674			309 874			22 466
3 Stable deposits	-	-			-			-
4 Less stable deposits	309 875	22 674			309 874			22 466
5 Unsecured wholesale funding, of which:	395 117	201 864			370 275			193 087
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	163 686	40 921			149 093			37 273
7 Non-operational deposits (all counterparties)	225 378	154 890			215 089			149 721
8 Unsecured debt	6 053	6 053			6 093			6 093
9 Secured wholesale funding		620						125
10 Additional requirements, of which:	272 595	35 947			281 685			39 549
11 Outflows related to derivative exposures and other collateral requirements	15 569	15 569			19 645			19 645
12 Outflows related to loss of funding on debt products	-	-			-			-
13 Credit and liquidity facilities	257 026	20 378			262 040			19 904
14 Other contractual funding obligations	-	-			-			-
15 Other contingent funding obligations	132 628	5 912			149 687			6 605
16 Total cash outflows		267 017						261 832
Cash inflows								
17 Secured lending (e.g. reverse repos)	35 172	3 257			30 262			2 411
18 Inflows from fully performing exposures	119 700	103 319			111 573			97 650
19 Other cash inflows	11 722	9 576			9 551			8 563
20 Total cash inflows	166 594	116 152			151 386			108 624
		Total weighted value					Total weighted value	
High-quality liquid assets (HQLA)								
21 Total HQLA (Rm)		186 863						194 495
22 Total net cash outflows (Rm)		150 865						153 208
23 LCR (%)		123.9						126.9

¹ The Bank LCR was calculated as a simple average of 90 calendar-day LCR observations.



4. Abbreviations and acronyms

A	
AIRB	advanced internal ratings-based approach
ARO	Absa Regional Operations
ASF	available stable funding

B	
Bank	Absa Bank Limited
Basel	Basel Capital Accord

C	
CAR	capital adequacy requirement
CCP	central counterparty
CCR	counterparty credit risk
CET1	common equity tier 1
CVA	credit valuation adjustment

D	
D-SIBs	domestic systemically important banks

F	
FIRB	foundation internal ratings-based

G	
GRCMC	Group Risk and Capital Management Committee
Group	Absa Group Limited
G-SIBs	global systemically important banks

H	
HQLA	high quality liquid assets

I	
IAA	internal assessment approach
IFRS	International Financial Reporting Standard(s)
IMA	internal models approach
IMM	internal model method
IRB	internal ratings-based
IRBA	internal ratings-based approach
IRC	incremental risk charge

L	
LCR	liquidity coverage ratio

M	
MCR	minimum capital requirements

N	
NSFR	net stable funding ratio

P	
PFE	potential future exposure

R	
RBA	ratings-based approach
RSF	required stable funding
RWA	risk-weighted assets

S	
SA	standardised approach
SA-CCR	standardised approach for counterparty credit risk
SEC	securitisation
SFTs	securities financing transactions
sVaR	stressed value at risk

V	
VaR	value at risk



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