



# Absa Group Limited

Pillar 3 risk management report  
for the reporting period ended 30 September 2022



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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the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), were not superseded by the Pillar 3 disclosure requirements.

Management and the Group Risk and Capital Management Committee (GRMC) have reviewed the report. The Board is satisfied that the Group's risk and capital management processes operated effectively for the period under review, 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).

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, noting that ARO LCR is capped at 100% per the minimum regulatory requirements. 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 a regulatory basis as at 30 September 2022.

## 1.1 KM1: Key metrics (at consolidated group level)<sup>1</sup>

	a	b	c	d	e
	30 September 2022	30 June 2022	31 March 2022	31 December 2021	30 September 2021
<b>Available capital (Rm)</b>					
1 CET1	115 240	112 630	110 721	114 080	108 822
2 Tier 1	130 587	129 460	126 582	131 059	125 163
3 Total capital	153 444	149 576	146 583	153 534	148 281
<b>RWA (Rm)</b>					
4 Total RWA	1 002 540	948 670	923 058	931 524	916 711
<b>Risk-based capital ratios as a percentage of RWA (%)</b>					
5 CET1 ratio	11.5	11.9	12.0	12.2	11.9
6 Tier 1 ratio	13.0	13.6	13.7	14.1	13.7
7 Total capital ratio	15.3	15.8	15.9	16.5	16.2
<b>Additional CET1 buffer requirements as a percentage of RWA (%)</b>					
8 Capital conservation buffer requirement	2.5	2.5	2.5	2.5	2.5
9 Countercyclical buffer requirement <sup>2</sup>	-	-	-	-	-
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	1.0
11 Total of bank CET1 specific buffer requirements (Row 8 + row 9 + row 10)	3.5	3.5	3.5	3.5	3.5
12 CET1 available after meeting the bank's minimum capital requirements	3.0	3.4	3.5	4.2	3.9
<b>Basel III leverage ratio</b>					
13 Total Basel III leverage ratio exposure measure (Rm)	1 883 283	1 829 289	1 705 152	1 716 289	1 697 416
14 Basel III leverage ratio (%) (row 2 / row 13)	6.9	7.1	7.4	7.6	7.4
<b>LCR</b>					
15 Total high-quality liquid assets (HQLA) (Rm)	241 373	220 072	211 840	206 880	196 248
16 Total net cash outflow (Rm)	186 811	181 679	177 802	177 075	166 010
17 LCR (%)	129.2	121.1	119.1	116.8	118.2
<b>NSFR</b>					
18 Total available stable funding (ASF) (Rm)	1 058 319	1 030 521	973 930	1 003 311 <sup>3</sup>	987 128
19 Total required stable funding (RSF) (Rm)	947 805	911 668	855 523	864 061 <sup>3</sup>	828 853
20 NSFR (%)	111.7	113.0	113.8	116.1	119.1

<sup>1</sup> The fully loaded accounted ECL basis has been fully transitioned in.

<sup>2</sup> The countercyclical buffer in South Africa is currently zero.

<sup>3</sup> The December 2021 NSFR ASF and RSF was restated to reflect a change in the Bank's statement of financial position.



# 1. Key prudential metrics and RWA

## 1.2 OV1: Overview of RWA

	Group			Bank <sup>1</sup>		
	a	b	c	a	b	c
	30 September 2022	30 June 2022	30 September 2022	30 September 2022	30 June 2022	30 September 2022
	RWA Rm	RWA Rm	MRC <sup>2</sup> Rm	RWA Rm	RWA Rm	MRC <sup>2</sup> Rm
1	724 081	684 582	90 511	478 104	460 247	59 763
2	230 837	209 038	28 855	693	285	87
3	-	-	-	-	-	-
4	-	-	-	-	-	-
5	493 244	475 544	61 656	477 411	459 962	59 676
6	18 178	16 781	2 272	14 515	14 039	1 814
7	18 178	16 781	2 272	14 515	14 039	1 814
8	-	-	-	-	-	-
9	-	-	-	-	-	-
10	11 583	9 717	1 448	6 409	6 329	801
11	3 453	3 398	432	1 819	1 779	227
12	8 901	8 657	1 113	2 483	2 490	310
13	-	-	-	-	-	-
14	482	476	60	-	-	-
15	1 404	1 603	176	1 325	1 529	166
16	2 069	2 135	259	2 069	2 135	259
17	2 069	2 135	259	2 069	2 135	259
18	-	-	-	-	-	-
19	-	-	-	-	-	-
20	46 595	36 562	5 825	33 059	26 194	4 133
21	29 158	19 667	3 645	15 622	9 299	1 953
22	17 437	16 895	2 180	17 437	16 895	2 180
23	-	-	-	-	-	-
24	118 845	118 845	14 856	76 641	76 641	9 580
25	26 916	29 297	3 365	15 300	15 984	1 913
26	32 385	28 969	4 048	16 189	13 878	2 024
27	7 648	7 648	956	6 983	6 983	873
<b>27</b>	<b>1 002 540</b>	<b>948 670</b>	<b>125 321</b>	<b>654 896</b>	<b>628 228</b>	<b>81 863</b>

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

<sup>2</sup> 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).

<sup>3</sup> Includes the operational risk floor.



## 1. Key prudential metrics and RWA

### 1.3 CR8: RWA flow statements of credit risk exposures under IRB

	a 30 September 2022 RWA amounts Rm	a 30 June 2022 RWA amounts Rm
1 RWA as at end of previous quarter	475 544	470 996
2 Asset size	18 958	15 380
3 Asset quality	1 307	(11 742)
4 Model updates	(4 293)	(936)
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	2 814	3 360
8 Other <sup>1</sup>	(1 086)	(1 514)
9 RWA as at end of reporting period	493 244	475 544

### 1.4 MR2: RWA flow statements of market risk exposures under IMA

	a	b	c	d	e	f
	30 September 2022					
	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	7 114	9 781	-	-	-	16 895
2 Movements in risk levels	1 635	(1 093)	-	-	-	542
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	8 749	8 688	-	-	-	17 437

	a	b	c	d	e	f
	30 June 2022					
	VaR Rm	sVaR Rm	IRC Rm	CRM Rm	Other Rm	Total RWA Rm
1 RWA at previous quarter end	7 299	9 179	-	-	-	16 479
2 Movements in risk levels	(185)	602	-	-	-	416
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	7 114	9 781	-	-	-	16 895

<sup>1</sup> Other reflects RWA movements on non-performing loans due to misalignment of the definition of default between IFRS 9 impairment and regulatory capital models.



## 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 measure

#### Absa Group

	Group 30 September 2022 Rm
1 Total consolidated assets	1 834 298
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(32 879)
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	(35 743)
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)	135 130
7 Other adjustments	(17 523)
<b>8 Leverage ratio exposure measure</b>	<b>1 883 283</b>

#### Absa Bank

	Bank 30 September 2022 Rm
1 Total consolidated assets	1 504 041
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	(34 396)
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)	105 212
7 Other adjustments	(16 440)
<b>8 Leverage ratio exposure measure</b>	<b>1 558 417</b>



## 2. Leverage

### 2.2 LR2: Leverage ratio common disclosure template

	Group		Bank	
	a 30 September 2022	b 30 June 2022	a 30 September 2022	b 30 June 2022
	Rm	Rm	Rm	Rm
<b>On-balance sheet exposures</b>				
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 627 575	1 560 883	1 340 411	1 300 764
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(17 523)	(15 959)	(16 440)	(15 082)
3 <b>Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)</b>	<b>1 610 052</b>	<b>1 544 924</b>	<b>1 323 971</b>	<b>1 285 682</b>
<b>Derivative exposures</b>				
4 Replacement cost associated with all derivative transactions (where applicable net of eligible cash variation margin and/ or with bilateral netting)	21 154	30 167	20 583	29 347
5 Add-on amounts for potential future exposure (PFE) associated with all derivative transactions	29 661	28 863	28 892	28 075
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)	(5 475)	(8 534)	(5 475)	(8 534)
8 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-	-	-
9 Adjusted effective notional amount of written credit derivative	7 833	6 484	7 833	6 484
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11 <b>Total derivative exposures (sum of rows 4 to 10)</b>	<b>53 173</b>	<b>56 980</b>	<b>51 833</b>	<b>55 372</b>
<b>Security financing transaction exposures</b>				
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	84 928	94 000	77 401	92 107
13 (Netted amounts of cash payables and cash receivables of gross SFT assets)	-	-	-	-
14 CCR exposure for SFT assets	-	-	-	-
15 Agent transaction exposures	-	-	-	-
16 <b>Total securities financing transaction exposures (sum of rows 12 to 15)</b>	<b>84 928</b>	<b>94 000</b>	<b>77 401</b>	<b>92 107</b>
<b>Other off-balance sheet exposures</b>				
17 Off-balance sheet exposures at gross notional amount	413 442	387 411	344 031	321 468
18 (Adjustments for conversion to credit equivalent amounts)	(278 312)	(254 026)	(238 819)	(216 861)
19 <b>Off-balance sheet items (sum of rows 17 and 18)</b>	<b>135 130</b>	<b>133 385</b>	<b>105 212</b>	<b>104 607</b>
<b>Capital and total exposures</b>				
20 <b>Tier 1 capital (excluding unappropriated profits)</b>	<b>130 587</b>	129 460	<b>88 666</b>	90 797
21 <b>Total exposures (sum of lines 3, 11, 16 and 19)</b>	<b>1 883 283</b>	1 829 289	<b>1 558 417</b>	1 537 768
<b>Leverage ratio</b>				
22 <b>Basel III leverage ratio</b>	<b>6.9</b>	7.1	<b>5.7</b>	5.9



## 3. Liquidity

### 3.1 LIQ1: Liquidity coverage ratio (LCR)

Group <sup>1</sup>	a		b		a		b	
	30 September 2022		30 June 2022		30 September 2022		30 June 2022	
	Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm
<b>High-quality liquid assets (HQLA)</b>								
1 Total HQLA		241 373		220 072				
<b>Cash outflows</b>								
2 Retail deposits and deposits from small business customers of which:	448 978	36 064	440 698	34 883				
3 Stable deposits	-	-	-	-				
4 Less stable deposits	448 978	36 064	440 698	34 883				
5 Unsecured wholesale funding of which:	520 558	258 202	491 005	246 022				
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	166 841	41 710	154 779	38 695				
7 Non-operational deposits (all counterparties)	351 268	214 043	332 581	203 682				
8 Unsecured debt	2 449	2 449	3 645	3 645				
9 Secured wholesale funding		3 330		1 003				
10 Additional requirements of which:	318 615	44 367	309 180	38 166				
11 Outflows related to derivative exposures and other collateral requirements	19 909	19 909	15 026	15 026				
12 Outflows related to loss of funding on debt products	-	-	-	-				
13 Credit and liquidity facilities	298 706	24 458	294 154	23 140				
14 Other contractual funding obligations	1 805	1 805	-	-				
15 Other contingent funding obligations	236 284	9 460	198 221	8 474				
16 Total cash outflows (Sum of lines 2+5+9+10+14+15)		353 228		328 548				
<b>Cash inflows</b>								
17 Secured lending (e.g., reverse repos)	56 274	5 646	42 982	11 247				
18 Inflows from fully performing exposures	175 867	147 226	152 010	126 367				
19 Other cash inflows	14 667	13 545	10 074	9 255				
20 Total cash inflows (Sum of lines 17-19)	246 808	166 417	205 066	146 869				
		<b>Total weighted value</b>		<b>Total weighted value</b>				
<b>High-quality liquid assets (HQLA)</b>								
21 Total HQLA (Rm)		241 373		220 072				
22 Total net cash outflows (Rm)		186 811		181 679				
23 LCR (%)		129.2		121.1				

<sup>1</sup> The Group 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, noting that ARO LCR is capped at 100% per the minimum regulatory requirements. For the Bank, the LCR was calculated as a simple average of 90 calendar-day LCR observations.





Bank <sup>1</sup>	a		b		a		b	
	30 September 2022		30 June 2022		30 September 2022		30 June 2022	
	Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm	Total unweighted value (average) Rm	Total weighted value (average) Rm
<b>High-quality liquid assets (HQLA)</b>								
1 Total HQLA		212 724						191 019
<b>Cash outflows</b>								
2 Retail deposits and deposits from small business customers of which:	354 987	28 139	352 002	27 208				
3 Stable deposits	-	-	-	-				
4 Less stable deposits	354 987	28 139	352 002	27 208				
5 Unsecured wholesale funding of which:	423 453	214 161	404 092	205 437				
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	166 841	41 710	154 779	38 695				
7 Non-operational deposits (all counterparties)	254 992	170 831	246 235	163 664				
8 Unsecured debt	1 620	1 620	3 078	3 078				
9 Secured wholesale funding		3 330		1 003				
10 Additional requirements of which:	288 147	39 584	279 489	33 334				
11 Outflows related to derivative exposures and other collateral requirements	17 645	17 645	12 628	12 628				
12 Outflows related to loss of funding on debt products	-	-	-	-				
13 Credit and liquidity facilities	270 502	21 939	266 861	20 706				
14 Other contractual funding obligations	1 805	1 805	-	-				
15 Other contingent funding obligations	205 524	8 189	168 271	7 272				
16 Total cash outflows (Sum of lines 2+5+9+10+14+15)		295 208						274 254
<b>Cash inflows</b>								
17 Secured lending (e.g. reverse repos)	56 274	5 646	42 982	11 247				
18 Inflows from fully performing exposures	139 225	117 805	118 700	99 081				
19 Other cash inflows	12 663	11 542	8 929	8 109				
20 Total cash inflows (Sum of lines 17-19)	208 162	134 993	170 611	118 437				
		<b>Total weighted value</b>		<b>Total weighted value</b>				
<b>High-quality liquid assets (HQLA)</b>								
21 Total HQLA (Rm)		212 724						191 019
22 Total net cash outflows (Rm)		160 215						155 817
23 LCR (%)		132.8						122.6

<sup>1</sup> 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
CRM	credit risk mitigation
CVA	credit valuation adjustment

### D

D-SIBs	domestic systemically important banks
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### F

FIRB	foundation internal ratings-based
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### G

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

### H

HQLA	high quality liquid assets
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### 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
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### M

MCR	minimum capital requirements
-----	------------------------------

### N

NSFR	net stable funding ratio
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### 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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