

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 2023

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the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the revised Pillar 3 disclosure requirements.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 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 31 March 2023.

1.1 KM1: Key metrics

Absa Group^{1,2}

	a	b	c	d	e
	31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022
Available capital (Rm)					
1 CET1	119 299	120 390 ³	115 240	112 630	110 721
2 Tier 1	136 206	136 635 ³	130 587	129 460	126 582
3 Total capital	159 247	158 719 ³	153 444	149 576	146 583
RWA (Rm)					
4 Total RWA	1 017 928	1 007 387 ³	1 002 540	948 670	923 058
Risk-based capital ratios as a percentage of RWA (%)					
5 CET1 ratio	11.7	12.0 ³	11.5	11.9	12.0
6 Tier 1 ratio	13.4	13.6	13.0	13.6	13.7
7 Total capital ratio	15.6	15.8	15.3	15.8	15.9
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 ⁴	-	-	-	-	-
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	3.2	3.5 ³	3.0	3.4	3.5
Basel III leverage ratio					
13 Total Basel III leverage ratio exposure measure (Rm)	1 902 576	1 848 607	1 883 283	1 829 289	1 705 152
14 Basel III leverage ratio (%) (row 2 / row 13)	7.2	7.4	6.9	7.1	7.4
LCR					
15 Total high-quality liquid assets (HQLA) (Rm)	245 024	240 876	241 373	220 072	211 840
16 Total net cash outflow (Rm)	185 132	193 299	186 811	181 679	177 802
17 LCR (%)	132.4	124.6	129.2	121.1	119.1
NSFR					
18 Total available stable funding (ASF) (Rm)	1 116 892	1 081 769 ³	1 058 319	1 030 521	973 930
19 Total required stable funding (RSF) (Rm)	969 803	954 359 ³	947 805	911 668	855 523
20 NSFR (%)	115.2	113.4	111.7	113.0	113.8

	a	b	c	d	e	
	31 March 2023	31 December 2022	30 September 2022	30 June 2022	31 March 2022	
Available capital (Rm)						
1	CET1	79 704	79 249	75 009	75 582	75 821
2	Tier 1	95 402	94 334	88 666	90 797	90 215
3	Total capital	114 701	112 835 ³	108 002	106 806	107302
RWA (Rm)						
4	Total RWA	660 251	662 093	654 895	628 228	628 390
Risk-based capital ratios as a percentage of RWA (%)						
5	CET1 ratio	12.1	12.0	11.5	12.0	12.1
6	Tier 1 ratio	14.4	14.2	13.5	14.5	14.4
7	Total capital ratio	17.4	17.0	16.5	17.0	17.1
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 ⁴					
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	3.6	3.5	3.0	3.5	3.6
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure (Rm)	1 578 254	1 543 179	1 558 417	1 537 928	1 450 804
14	Basel III leverage ratio (%) (row 2 / row 13)	6.0	6.1	5.7	5.9	6.2
LCR						
15	Total high-quality liquid assets (HQLA) (Rm)	215 111	208 117	212 724	191 019	186 662
16	Total net cash outflow (Rm)	157 519	161 347	160 215	155 817	152 760
17	LCR (%)	136.6	129.0	132.8	122.6	122.2
NSFR						
18	Total available stable funding (ASF) (Rm)	917 129	895 875 ³	871 027	857 843	814 099
19	Total required stable funding (RSF) (Rm)	837 645	826 055 ³	814 313	790 522	751 037
20	NSFR (%)	109.5	108.5	107.0	108.5	108.4

1.2 OV1: Overview of RWA

	Group			Bank ⁵			
	a	b	c	a	b	c	
	31 March	31 December	31 March	31 March	31 December	31 March	
	2023	2022	2023	2023	2022	2023	
	RWA	RWA	MRC ⁶	RWA	RWA	MRC ²	
	Rm	Rm	Rm	Rm	Rm	Rm	
1	Credit risk (excluding counterparty credit risk (CCR))	756 387	739 995 ³	94 548	486 638	488 353 ³	60 829
2	Of which: standardised approach (SA)	254 135	235 128	31 767	419	506	52
3	Of which: foundation internal ratings-based (FIRB) approach	-	-	-	-	-	-
4	Of which: supervisory slotting approach	-	-	-	-	-	-
5	Of which: advanced internal ratings-based (AIRB) approach	502 252	504 867 ³	62 781	486 219	487 847 ³	60 777
6	CCR	16 451	16 303	2 056	14 575	14 860	1 822
7	Of which: standardised approach for CCR (SA-CCR)	16 451	16 303	2 056	14 575	14 860	1 822
8	Of which: internal model method (IMM)	-	-	-	-	-	-
9	Of which: other CCR	-	-	-	-	-	-
10	Credit valuation adjustment (CVA)	7 941	6 480	993	6 815	5 098	852
11	Equity positions under the simple risk weight approach	3 484	3 482	436	1 823	1 823	228
12	Equity investments in funds – look-through approach	7 935	8 151	992	2 570	2 626	321
13	Equity investments in funds – mandate-based approach	-	-	-	-	-	-
14	Equity investments in funds – fall-back approach	-	-	-	-	-	-
15	Settlement risk	888	1 279	111	825	1 222	103
16	Securitisation exposures in banking book	566	577	71	566	577	71
17	Of which: IRB ratings-based approach (SEC-IRBA)	-	-	-	-	-	-
18	Of which: securitisation external ratings-based approach (RBA) (SEC-ERBA), including internal assessment approach (IAA)	-	-	-	-	-	-
19	Of which: securitisation SA (SEC-SA)	566	577	71	566	577	71
20	Traded market risk	40 312	38 882	5 039	28 555	28 250	3 570
21	Of which: SA	19 610	18 915	2 451	7 853	8 283	982
22	Of which: internal model approach (IMA)	20 702	19 967	2 588	20 702	19 967	2 588
23	Capital charge for switch between trading book and banking book	-	-	-	-	-	-
24	Operational risk	122 493	122 493 ³	15 312	74 857	74 857 ³	9 357
	Non-customer assets	26 669	25 838	3 334	17 457	17 405	2 182
25	Amounts below the thresholds for deduction (subject to 250% risk weight)	25 274	34 379	3 159	13 666	15 118	1 708
26	Floor adjustment (after application of transitional cap) ⁷	9 528	9 528 ³	1 191	11 904	11 904 ³	1 488
27	Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26+non-customer assets)	1 017 928	1 007 387³	127 242	660 251	662 093	82 531

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

	a	a
	31 March 2023	31 December 2022
	RWA amounts	RWA amounts ³
	Rm	Rm
1	RWA as at end of previous quarter	493 244
2	Asset size	6 286
3	Asset quality	4 659
4	Model updates	(124)
5	Methodology and policy	-
6	Acquisitions and disposals	-
7	Foreign exchange movements	(1 940)
8	Other ⁸	2 742
9	RWA as at end of reporting period	504 867

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

	a	b	31 March 2023		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	9 692	10 275	-	-	-	19 967
2 Movements in risk levels	1 388	(653)	-	-	-	735
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	11 080	9 622	-	-	-	20 702

	a	b	31 December 2022		e	f
	VaR Rm	sVaR Rm	IRC Rm	CRM Rm	Other Rm	Total RWA Rm
1 RWA at previous quarter end	8 749	8 688	-	-	-	17 437
2 Movements in risk levels	943	1 587	-	-	-	2 530
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	9 692	10 275	-	-	-	19 967

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	
	31 March 2023 Rm	31 December 2022 Rm
1 Total consolidated assets	1 829 664	1 793 201
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(32 741)	(31 869)
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	7 145	(14 103)
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)	114 045	117 482
7 Other adjustments	(15 537)	(16 104)
8 Leverage ratio exposure measure	1 902 576	1 848 607

	Bank	
	31 March 2023 Rm	31 December 2022 Rm
1 Total consolidated assets	1 498 229	1 479 352
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	7 242	(13 537)
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)	88 502	92 485
7 Other adjustments	(15 718)	(15 121)
8 Leverage ratio exposure measure	1 578 254	1 543 179

2.2 LR2: Leverage ratio common disclosure template

	Group		Bank	
	a 31 March 2023 Rm	b 31 December 2022 Rm	a 31 March 2023 Rm	b 31 December 2022 Rm
On-balance sheet exposures				
1 On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 653 867	1 611 729	1 360 905	1 338 039
2 (Asset amounts deducted in determining Basel III Tier 1 capital)	(15 537)	(16 104)	(15 718)	(15 121)
3 Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	1 638 330	1 595 625	1 345 187	1 322 918
Derivative exposures				
4 Replacement cost associated with all derivative transactions (where applicable net of eligible cash variation margin and/ or with bilateral netting)	29 146	20 943	28 439	20 510
5 Add-on amounts for potential future exposure (PFE) associated with all derivative transactions	32 050	26 240	31 282	25 727
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)	(5 759)	(6 170)	(5 759)	(6 170)
8 (Exempted central counterparty (CCP) leg of client-cleared trade exposures)	-	-	-	-
9 Adjusted effective notional amount of written credit derivative	9 792	8 445	9 792	8 445
10 (Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11 Total derivative exposures (sum of rows 4 to 10)	65 229	49 458	63 754	48 512
Security financing transaction exposures				
12 Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	84 972	86 043	80 811	79 264
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)	84 972	86 043	80 811	79 264
Other off-balance sheet exposures				
17 Off-balance sheet exposures at gross notional amount	396 836	408 792	335 777	350 894
18 (Adjustments for conversion to credit equivalent amounts)	(282 791)	(291 310)	(247 275)	(258 409)
19 Off-balance sheet items (sum of rows 17 and 18)	114 045	117 482	88 502	92 485
Capital and total exposures				
20 Tier 1 capital (excluding unappropriated profits)	136 206	136 619	95 402	94 334
21 Total exposures (sum of lines 3, 11, 16 and 19)	1 902 576	1 848 607	1 578 254	1 543 179
Leverage ratio				
22 Basel III leverage ratio	7.2	7.4	6.0	6.1

3. Liquidity

3.1 LIQ1: Liquidity coverage ratio (LCR)

Group ⁹	a		b		a		b	
	31 March 2023		31 December 2022		Total unweighted value (average)		Total weighted value (average)	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
High-quality liquid assets (HQLA)								
1 Total HQLA		245 024						240 876
Cash outflows								
2 Retail deposits and deposits from small business customers of which:	457 524	38 657	457 319	36 692	457 319	36 692	457 319	36 692
3 Stable deposits	-	-	-	-	-	-	-	-
4 Less stable deposits	457 524	38 657	457 319	36 692	457 319	36 692	457 319	36 692
5 Unsecured wholesale funding of which:	537 893	271 500	521 622	262 457	521 622	262 457	521 622	262 457
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	157 322	39 330	157 728	39 432	157 728	39 432	157 728	39 432
7 Non-operational deposits (all counterparties)	368 221	219 820	359 315	218 446	359 315	218 446	359 315	218 446
8 Unsecured debt	12 350	12 350	4 579	4 579	4 579	4 579	4 579	4 579
9 Secured wholesale funding		877		663		663		663
10 Additional requirements of which:	339 444	47 421	335 960	45 729	335 960	45 729	335 960	45 729
11 Outflows related to derivative exposures and other collateral requirements	22 352	22 352	19 626	19 626	19 626	19 626	19 626	19 626
12 Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13 Credit and liquidity facilities	317 092	25 069	316 334	26 103	316 334	26 103	316 334	26 103
14 Other contractual funding obligations	317	317	-	-	-	-	-	-
15 Other contingent funding obligations	253 013	10 669	249 072	10 337	249 072	10 337	249 072	10 337
16 Total cash outflows (Sum of lines 2+5+9+10+14+15)		369 441						355 878
Cash inflows								
17 Secured lending (e.g., reverse repos)	47 280	11 681	45 641	4 333	45 641	4 333	45 641	4 333
18 Inflows from fully performing exposures	194 297	163 799	174 432	144 398	174 432	144 398	174 432	144 398
19 Other cash inflows	9 677	8 829	15 050	13 848	15 050	13 848	15 050	13 848
20 Total cash inflows (Sum of lines 17-19)	251 254	184 309	235 123	162 579	235 123	162 579	235 123	162 579
		Total weighted value		Total weighted value		Total weighted value		Total weighted value
High-quality liquid assets (HQLA)								
21 Total HQLA (Rm)		245 024						240 876
22 Total net cash outflows (Rm)		185 132						193 299
23 LCR (%)		132.4						124.6

	a		b	
	31 March 2023		31 December 2022	
	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	Rm	Rm	Rm	Rm
Bank¹⁰				
High-quality liquid assets (HQLA)				
1 Total HQLA		215 111		208 117
Cash outflows				
2 Retail deposits and deposits from small business customers of which:	362 298	30 764	363 819	28 894
3 Stable deposits	-	-	-	-
4 Less stable deposits	362 298	30 764	363 819	28 894
5 Unsecured wholesale funding of which:	425 953	218 908	417 273	214 530
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	157 322	39 330	157 728	39 432
7 Non-operational deposits (all counterparties)	256 848	167 795	255 583	171 136
8 Unsecured debt	11 783	11 783	3 962	3 962
9 Secured wholesale funding		877		663
10 Additional requirements of which:	311 666	42 929	308 175	41 620
11 Outflows related to derivative exposures and other collateral requirements	20 141	20 141	17 836	17 836
12 Outflows related to loss of funding on debt products	-	-	-	-
13 Credit and liquidity facilities	291 525	22 788	290 339	23 784
14 Other contractual funding obligations	317	317	-	-
15 Other contingent funding obligations	222 400	9 374	217 814	9 019
16 Total cash outflows (Sum of lines 2+5+9+10+14+15)		303 169		294 726
Cash inflows				
17 Secured lending (e.g. reverse repos)	47 280	11 681	45 641	4 333
18 Inflows from fully performing exposures	150 021	126 394	140 947	118 314
19 Other cash inflows	8 424	7 575	11 934	10 732
20 Total cash inflows (Sum of lines 17-19)	205 725	145 650	198 522	133 379
		Total weighted value		Total weighted value
High-quality liquid assets (HQLA)				
21 Total HQLA (Rm)		215 111		208 117
22 Total net cash outflows (Rm)		157 519		161 347
23 LCR (%)		136.6		129.0

Johannesburg
31 May 2023

Enquiries:

Alan Hartdegen
E-mail: Alan.Hartdegen@absa.africa

Lead Independent Sponsor:

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Corporate and Investment Bank – a division of Absa Bank Limited

Notes:

¹ The fully loaded accounted ECL basis has been fully transitioned in.

² The numbers are excluding unappropriated profits.

³ The December 2022 figures were revised to align with final regulatory submissions.

⁴ The countercyclical buffer in South Africa is currently zero.

⁵ Absa Bank Limited includes subsidiary undertakings, special-purpose entities, joint ventures, associates and offshore holdings.

⁶ The 2023 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).

⁷ Includes the operational risk floor.

⁸ Other reflects RWA movements on non-performing loans due to differences in the definition of default between IFRS 9 impairment and regulatory capital models.

⁹ 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.

¹⁰ The Bank LCR was calculated as a simple average of 90 calendar-day LCR observations.