

ABSA GROUP LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number: 1986/003934/06)
 ISIN: ZAE000255915
 JSE share code: ABG
 (Absa Group)

ABSA BANK LIMITED

(Incorporated in the Republic of South Africa)
 (Registration number: 1986/004794/06)
 ISIN: ZAE000079810
 JSE share code: ABSP
 (Absa Bank)

ABSA GROUP LIMITED – BASEL III PILLAR 3 DISCLOSURE AS AT 30 SEPTEMBER 2021

This Pillar 3 disclosure contains the quantitative Pillar 3 disclosure requirements in respect of Absa Group Limited (Absa Group or the Group) and Absa Bank Limited (Absa Bank or the 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the Regulations relating to Banks (Regulations), issued in terms of the Banks Act, 1990 (Act No. 94 of 1990), where not superseded by the revised Pillar 3 disclosure requirements.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 30 September 2021.

1.1 Capital adequacy and liquidity

	Board target ranges¹	Minimum regulatory requirements²	30 September 2021 Group performance	30 June 2021 Group performance	30 September 2021 Bank performance	30 June 2021 Bank performance
Statutory capital ratios (includes unappropriated profits) (%)						
CET1	11.0 – 12.5		12.5	12.4	12.0	11.8
Tier 1	>12.0		14.2	14.2	14.4	14.2
Total capital adequacy requirement (CAR)	>14.5		16.8	16.9	17.7	17.7
Leverage	5.5 – 7.5		7.7	7.7	6.4	6.3
Regulatory capital ratios (excludes unappropriated profits) (%)						
CET1		8.0	11.9	12.1	11.5	11.7
Tier 1		9.5	13.7	13.9	13.9	14.1
Total CAR		11.5	16.2	16.6	17.2	17.6
Leverage		4.0	7.4	7.5	6.2	6.3
LCR (%)		80.0	118.2	124.0	125.1	131.1
Net stable funding ratio (NSFR) (%)		100.0	119.1	118.3	111.4	112.4

1.2 KM1: Key metrics (at consolidated group level)

	30 September 2021 ³	30 June 2021 ³	31 March 2021 ³	31 December 2020	30 September 2020	
Available capital (Rm)						
1	CET1 transitional basis	108 822	107 437	103 041	102 496	104 119
1a	Fully loaded expected credit loss (ECL) accounting model	108 822	107 437	103 041	101 632	103 255
2	Tier 1 transitional basis	125 163	123 508	111 990	111 803	112 189
2a	Fully loaded ECL accounting model Tier 1	125 163	123 508	111 990	110 939	111 325
3	Total capital transitional basis	148 281	147 781	136 908	137 454	139 143
3a	Fully loaded ECL accounting model total capital	148 281	147 781	136 908	136 590	138 279
RWA (Rm)						
4	Total RWA transitional basis	916 711	891 769	904 628	915 061	921 129
4a	Fully loaded RWA	916 711	891 769	904 628	911 488	917 556
Risk-based capital ratios as a percentage of RWA (%)						
5	CET1 ratio transitional basis	11.9	12.1	11.4	11.2	11.3
5a	Fully loaded ECL accounting model CET1	11.9	12.1	11.4	11.2	11.3
6	Tier 1 ratio transitional basis	13.7	13.9	12.4	12.2	12.2
6a	Fully loaded ECL accounting model Tier 1 ratio	13.7	13.9	12.4	12.2	12.1
7	Total capital ratio transitional basis	16.2	16.6	15.1	15.0	15.1
7a	Fully loaded ECL accounting model total capital ratio	16.2	16.6	15.1	15.0	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 ⁴	-	-	-	-	-
10	Global systemically important banks (G-SIB) and/or domestic systemically important banks (D-SIB) additional requirements	1.0	1.0	0.5	0.5	0.5
11	Total of bank CET1 specific buffer requirements (Row 8 + row 9 + row 10)	3.5	3.5	3.0	3.0	3.0
12	CET1 available after meeting the bank's minimum capital requirements	3.9	4.1	3.9	3.7	3.8
Basel III leverage ratio						
13	Total Basel III leverage ratio exposure measure (Rm)	1 697 416	1 645 788	1 614 976	1 560 437	1 733 777
14	Basel III leverage ratio (%) (row 2 / row 13) transitional basis	7.4	7.5	6.9	7.2	6.5
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row 13)	7.4	7.5	6.9	7.1	6.4
LCR						
15	Total high-quality liquid assets (HQLA) (Rm)	196 248	214 589	206 410	213 637	235 845
16	Total net cash outflow (Rm)	166 010	173 009	175 300	177 135	169 516
17	LCR (%)	118.2	124.0	117.7	120.6	139.2
NSFR						
18	Total available stable funding (ASF) (Rm)	987 128	962 485	942 574	935 190	951 963
19	Total required stable funding (RSF) (Rm)	828 853	813 629	812 689	807 517	800 811
20	NSFR (%)	119.1	118.3	116.0	115.8	118.9

1.3 OV1: Overview of RWA

	Group			Bank ⁵		
	30 September 2021 RWA Rm	30 June 2021 RWA Rm	30 September 2021 MRC ⁶ Rm	30 September 2021 RWA Rm	30 June 2021 RWA Rm	30 September 2021 MRC ⁶ Rm
1 Credit risk (excluding counterparty credit risk (CCR))	667 689	642 010	76 784	462 380	450 280	53 173
2 Of which: standardised approach (SA)	192 993	178 656	22 194	526	-	60
3 Of which: foundation internal ratings-based (FIRB) approach	-	-	-	-	-	-
4 Of which: supervisory slotting approach	-	-	-	-	-	-
5 Of which: advanced internal ratings-based (AIRB) approach	474 696	463 354	54 590	461 854	450 280	53 113
6 CCR	17 016	19 008	1 957	15 689	18 685	1 804
7 Of which: standardised approach for CCR (SA-CCR) ⁷	17 016	19 008	1 957	15 689	18 685	1 804
8 Of which: internal model method (IMM)	-	-	-	-	-	-
9 Of which: other CCR	-	-	-	-	-	-
10 Credit valuation adjustment (CVA)	11 061	11 315	1 272	9 840	11 092	1 132
11 Equity positions under the simple risk weight approach	4 258	4 437	490	1 961	2 054	226
12 Equity investments in funds – look-through approach	7 017	6 812	807	379	354	44
13 Equity investments in funds – mandate-based approach	-	-	-	-	-	-
14 Equity investments in funds – fall-back approach	547	765	63	-	189	-
15 Settlement risk	1 163	922	134	1 097	852	126
16 Securitisation exposures in banking book	4 056	4 180	466	4 056	4 180	466
17 Of which: IRB ratings-based approach (SEC-IRBA)	4 056	4 180	466	4 056	4 180	466
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	41 202	40 280	4 739	27 646	27 118	3 180
21 Of which: SA	21 483	21 289	2 471	7 927	8 127	912
22 Of which: internal model approach (IMA)	19 719	18 991	2 268	19 719	18 991	2 268
23 Capital charge for switch between trading book and banking book	-	-	-	-	-	-
24 Operational risk	111 193	111 194	12 787	73 921	73 922	8 501
Non-customer assets	24 656	25 131	2 835	15 897	16 704	1 828
25 Amounts below the thresholds for deduction (subject to 250% risk weight)	22 265	21 128	2 560	10 286	9 877	1 183
26 Floor adjustment (after application of transitional cap) ⁸	4 588	4 587	528	4 472	4 472	514
27 Total (1+6+10+11+12+13+14+15+16+20+23+24+25+26+non-customer assets)	916 711	891 769	105 422	627 624	619 779	72 177

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

	30 September 2021 RWA amounts Rm	30 June 2021 RWA amounts Rm
1 RWA as at end of previous quarter	463 354	482 911
2 Asset size	12 133	7 746
3 Asset quality	(2 149)	(14 066)
4 Model updates	-	(2 232)
5 Methodology and policy	-	-
6 Acquisitions and disposals	-	-
7 Foreign exchange movements	1 358	(1 259)
8 Other	-	(9 746) ⁹
9 RWA as at end of reporting period	474 696	463 354

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

	Value at risk (VaR) Rm	Stressed value at risk (sVaR) Rm	30 September 2021			Total RWA Rm
			Incremental risk charge (IRC) Rm	Credit risk mitigation (CRM) Rm	Other Rm	
1 RWA at previous quarter end	7 602	11 389	-	-	-	18 991
2 Movements in risk levels	212	516	-	-	-	728
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	7 814	11 905	-	-	-	19 719

	Value at risk (VaR) Rm	Stressed value at risk (sVaR) Rm	30 June 2021			Total RWA Rm
			IRC Rm	CRM Rm	Other Rm	
1 RWA at previous quarter end	6 706	11 352	-	-	-	18 058
2 Movements in risk levels	896	37	-	-	-	933
3 Model updates/changes	-	-	-	-	-	-
4 Methodology and policy	-	-	-	-	-	-
5 Acquisitions and disposals	-	-	-	-	-	-
6 Other	-	-	-	-	-	-
7 RWA at end of reporting period	7 602	11 389	-	-	-	18 991

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	
	30 September 2021 Rm	30 June 2021 Rm	30 September 2021 Rm	30 June 2021 Rm
1 Total consolidated assets	1 626 330	1 580 535	1 336 072	1 320 971
2 Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(31 575)	(32 601)	-	-
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	(12 556)	(12 727)	(11 334)	(12 026)
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)	126 869	122 165	102 023	100 041
7 Other adjustments	(11 652)	(11 584)	(10 475)	(10 361)
8 Leverage ratio exposure measure	1 697 416	1 645 788	1 416 286	1 398 625

2.2 LR2: Leverage ratio common disclosure template.11

	Group		Bank		
	30	30	30	30	
	September	June	September	June	
	2021	2021	2021	2021	
	Rm	Rm	Rm	Rm	
On-balance sheet exposures					
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	1 428 298	1 372 923	1 176 980	1 151 657
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(11 652)	(11 584)	(10 475)	(10 361)
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of rows 1 and 2)	1 416 646	1 361 339	1 166 505	1 141 296
Derivative exposures					
4	Replacement cost associated with all derivative transactions (where applicable net of eligible cash variation margin and/ or with bilateral netting)	22 645	27 197	22 645	27 197
5	Add-on amounts for potential future exposure (PFE) associated with all derivative transactions	23 242	27 547	23 242	27 547
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	5 314	6 961	5 314	6 961
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	-	-	-
11	Total derivative exposures (sum of rows 4 to 10)	51 201	61 705	51 201	61 705
Security financing transaction exposures					
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	102 700	100 579	96 557	95 583
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)	102 700	100 579	96 557	95 583
Other off-balance sheet exposures					
17	Off-balance sheet exposures at gross notional amount	377 624	368 562	318 927	314 340
18	(Adjustments for conversion to credit equivalent amounts)	(250 755)	(246 397)	(216 904))	(214 299)
19	Off-balance sheet items (sum of rows 17 and 18)	126 869	122 165	102 023	100 041
Capital and total exposures					
20	Tier 1 capital (excluding unappropriated profits)	125 163	123 508	87 528	87 373
21	Total exposures excluding IFRS 9 adjustment (sum of lines 3, 11, 16 and 19)	1 697 416	1 645 788	1 416 286	1 398 625
Leverage ratio					
22	Basel III leverage ratio	7.4	7.5	6.2	6.3

3. Liquidity

3.1 LIQ1: Liquidity coverage ratio (LCR)

Group	30 September 2021		30 June 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		196 248		214 589
Cash outflows				
2 Retail deposits and deposits from small business customers of which:	417 250	32 040	390 892	29 656
3 Stable deposits	-	-	-	-
4 Less stable deposits	417 250	32 040	390 892	29 656
5 Unsecured wholesale funding of which:	485 891	240 326	485 378	237 878
6 Operational deposits (all counterparties) and deposits in networks of cooperative banks	150 647	37 662	172 346	43 086
7 Non-operational deposits (all counterparties)	332 453	199 873	308 803	190 563
8 Unsecured debt	2 791	2 791	4 229	4 229
9 Secured wholesale funding		308		415
10 Additional requirements of which:	311 536	37 185	297 785	36 393
11 Outflows related to derivative exposures and other collateral requirements	13 555	13 555	13 545	13 545
12 Outflows related to loss of funding on debt products	-	-	-	-
13 Credit and liquidity facilities	297 981	23 630	284 240	22 848
14 Other contractual funding obligations	-	-	-	-
15 Other contingent funding obligations	151 465	6 278	151 338	6 288
16 Total cash outflows (Sum of lines 2+5+9+10+14+15)		316 137		310 630
Cash inflows				
17 Secured lending (e.g. reverse repos)	51 202	11 273	47 886	6 198
18 Inflows from fully performing exposures	147 219	124 597	139 320	116 575
19 Other cash inflows	14 795	14 257	15 916	14 848
20 Total cash inflows (Sum of lines 17-19)	213 216	150 127	203 122	137 621
		Total weighted value		Total weighted value
High-quality liquid assets (HQLA)				
21 Total HQLA (Rm)		196 248		214 589
22 Total net cash outflows (Rm)		166 010		173 009
23 LCR (%)		118.2		124.0

Bank ¹²	30 September 2021		30 June 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	175 931		195 412
Cash outflows				
2	Retail deposits and deposits from small business customers of which:	337 237	25 281	316 405
3	Stable deposits	-	-	-
4	Less stable deposits	337 237	25 281	316 405
5	Unsecured wholesale funding of which:	393 968	199 667	404 591
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	150 647	37 662	172 346
7	Non-operational deposits (all counterparties)	241 189	159 873	228 767
8	Unsecured debt	2 132	2 132	3 478
9	Secured wholesale funding		308	415
10	Additional requirements of which:	281 824	34 673	268 024
11	Outflows related to derivative exposures and other collateral requirements	13 553	13 553	13 421
12	Outflows related to loss of funding on debt products	-	-	-
13	Credit and liquidity facilities	268 271	21 120	254 603
14	Other contractual funding obligations	-	-	-
15	Other contingent funding obligations	126 821	5 284	129 452
16	Total cash outflows (Sum of lines 2+5+9+10+14+15)	265 213		265 359
Cash inflows				
17	Secured lending (e.g. reverse repos)	51 202	11 273	47 886
18	Inflows from fully performing exposures	121 072	104 133	117 144
19	Other cash inflows	9 730	9 191	11 740
20	Total cash inflows (Sum of lines 17-19)	182 004	124 597	176 770
			Total weighted value	Total weighted value
High-quality liquid assets (HQLA)				
21	Total HQLA (Rm)		175 931	195 412
22	Total net cash outflows (Rm)		140 616	149 039
23	LCR (%)		125.1	131.1

Johannesburg
29 November 2021

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Notes:

- ¹ Capital ratios (including unappropriated profits) are managed against Board target capital ranges. The Absa Bank Limited CET1 Board target range is 10.5% to 12.0%.
- ² The 2021 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).
- ³ 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.
- 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 2021 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).
- ⁷ SA-CCR amount is calculated using the current exposure method.
- ⁸ Includes the operational risk floor.
- ⁹ Other mainly reflects benefits realised from improvements in data quality.
- ¹⁰ Numbers reported are on a regulatory quarter-end basis
- ¹¹ Numbers reported are on a spot regulatory quarter-end basis and not on an average basis.
- ¹² The Bank LCR was calculated as a simple average of 90 calendar-day LCR observations.