

 Early Warning System

MIGA-15209

ABSA Capital Optimization



Quick Facts

Countries	Uganda
Financial Institutions	Multilateral Investment Guarantee Agency (MIGA)
Status	Proposed
Bank Risk Rating	B
Voting Date	2024-05-23
Borrower	Absa Group Limited
Sectors	Finance, Industry and Trade
Investment Type(s)	Guarantee
Investment Amount (USD)	\$ 85.86 million



Project Description

According to the Bank's website, ABSA Group Limited ("ABSA" or "The Group") has requested MIGA coverage for a portion of its new and existing equity investments in its subsidiary in Uganda, against the risk of Expropriation of Funds for mandatory and voluntary cash reserves held at the Central Bank of the host country ("the Project"). The new investment is expected to be in the form of retained earnings in ABSA's subsidiary in Uganda ("the subsidiary") relating to ABSA's banking operations in the host country.

The proposed transaction would be MIGA's second capital optimization project with ABSA, following the initial coverage in 2019, and is expected to provide regulatory capital relief to ABSA on a consolidated level by reducing the amount of Risk Weighted Assets (RWAs). The tenor of the proposed guarantee is expected to be up to 10 years for mandatory reserves (the remaining tenor of the first transaction) and 3 years for voluntary reserves. The proposed guarantee remains subject to approval by both ABSA and MIGA in accordance with their respective policies and procedures.



Early Warning System Project Analysis

ABSA Uganda provides retail, small and medium enterprise (SME), and corporate finance services to clients in Uganda. The MIGA project will support all of the bank's lending activities. The environmental and social ("E&S") risks and impacts associated with the main sectors financed by ABSA Uganda are typically moderate to high; however, long-term lending to high-risk sectors is limited in number. This project has thus been categorized as FI-2 in accordance with MIGA's Policy on Environmental and Social Sustainability (2013).

The main E&S aspects of this project relate to ABSA Uganda's ability to identify, assess, and manage the E&S risks and impacts associated with its lending activities and the management of labor matters. As of November 2023, ABSA Uganda's portfolio included the following business segments - corporate loans, retail loans (mortgages and consumer loans), and SME loans. The main sectors financed by ABSA Uganda include wholesale and retail trade, manufacturing, services, and construction. ABSA Uganda currently has limited exposure to activities on the MIGA Exclusion List. The bank has no exposure to coal-related projects.



Investment Description

- Multilateral Investment Guarantee Agency (MIGA)

A coverage for a portion of the client's new and existing equity investments in its subsidiary in Uganda, against the risk of Expropriation of Funds for mandatory and voluntary cash reserves held at the Central Bank of the host country. The tenor of the proposed guarantee is expected to be up to 10 years for mandatory reserves (the remaining tenor of the first transaction) and 3 years for voluntary reserves.

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- [ABSA Group](#) (Financial Intermediary)



Private Actors Description

Headquartered in South Africa, ABSA is one of the largest financial institutions in Africa in terms of total asset size. The Group has a presence in 12 countries across the African continent, as well as offices in the United Kingdom, the United States, and China, along with technology support colleagues in the Czech Republic. Absa offers an integrated set of products and services across personal and business banking, corporate and investment banking, wealth and investment management and insurance.



Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	ABSA Bank Uganda Limited	Subsidiary	-



Contact Information

No contacts available at the time of disclosure.

ACCESS TO INFORMATION

You can submit a request for information disclosure at: https://www.miga.org/contact/access_to_information

You can also request general information about MIGA and for information on guarantees by emailing:
migainquiry@worldbank.org

ACCOUNTABILITY MECHANISM OF IFC/MIGA

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at <http://www.cao-ombudsman.org>