Absa Group Limited
2018 Integrated Report

Our reporting suite

Integrated report and environmental, social and governance disclosures

2018 Integrated Report	**2018** Environmental, Social and Governance Review	**2018** Broad-based black economic empowerment (B-BBEE) Report	**2018** King IV Application Review	**2019** Notice of annual general meeting	**2018** Remuneration Report

Scope and boundary

Activities of Absa Group including key banking and insurance subsidiaries.

These reports provide information regarding stakeholder relationships, material matters, risks and opportunities and our forward-looking strategy. B-BBEE applies to our South African operations.

Financial, risk and capital management disclosures

2018 Summarised annual consolidated financial statements	**2018** Annual consolidated and separate financial statements	**2018** Pillar 3 risk management report and Additional Tables	**2018** Financial results booklet and investor presentation

Scope and boundary

Absa Group including subsidiaries, associates and joint ventures.

Note 49.3 of the annual financial statements provides a list of material subsidiaries and consolidated structured entities.

Reporting standards/frameworks

Our external reports contain a range of information which is governed by a diverse set of regulations, frameworks and codes.

- Integrated Reporting <IR> Framework
- International Financial Reporting Standards (IFRS)
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV)
- The Amended B-BEE Financial Sector Code (South Africa)
- The GRI G4 Standards, Financial Sector Supplement and the Greenhouse Gas Protocol
- South African Banks Act, No 94 of 1990
- South African Companies Act No 71 of 2008
- JSE Listings Requirements (South Africa)

Assurance

We apply a risk-based, combined assurance approach over the Group's operations. Internal controls, management assurance, compliance and internal audit reviews, as well as the services of independent external service providers support the accuracy of disclosures within our published reports. In line with their respective mandates, specific reports are reviewed and recommended to the Board for approval by the Disclosure, Social and Ethics, Remuneration, Directors' Affairs, Group Audit and Compliance, and Group Risk and Capital Management committees.

For 2018, PwC conducted limited assurance on select environmental, social and governance indicators and Empowerdex rating agency verified our B-BBEE performance. EY, our statutory auditors, have audited our annual financial statements. Information relating to the scope and conclusions of these can be found in the Limited Assurance Report, the Absa Group's B-BBEE certificate and the Group's annual financial statements, all of which are available on our Group website **www.absa.africa**

All of the reports listed are available on absa.africa. Comments or queries regarding these documents can be sent to **corporate.relations@absa.africa** or **groupsec@absa.co.za**

About our **integrated report**

Absa Group Limited (Absa or the Group) strives to incorporate the principles of integrated thinking into our business and ultimately our reporting. We aim to help the reader understand how we define, measure and report on value creation.

Reporting period and forward-looking statements

Our report covers the period from 1 January 2018 to 31 December 2018. Any notable or material events after this date and up until the approval of our Integrated Report are included.

Statements relating to future operations and performance of the Group are not guarantees of future operating, financial or other results and involve uncertainty, as they rely on future circumstances – some of which are beyond our control. Therefore, ultimate results and outcomes may differ.

Target audience

This integrated report is our primary report to our investors and also contains information relevant to other stakeholders. It is supplemented by the disclosures outlined on the previous page.

Financial and non-financial reporting

This report contains information regarding stakeholder relationships, material matters, risks and opportunities and contains forward-looking statements.

On 1 June 2017, Barclays PLC (Barclays) executed the sell-down of its controlling interest in the Group. The 'Separation' refers to the programme of activities which will separate the businesses from one another. As part of its divestment, Barclays contributed R12.6bn, mainly in recognition of the investments required to separate the businesses. This is being invested primarily in rebranding, technology and other Separation-related projects, and it is expected that it will neutralise the capital and cash flow impact of Separation investments on the Group over time.

Given the process of separating from Barclays, we report both IFRS-compliant financial results (financial results booklet and the annual financial statements) and we present a normalised view. The latter adjusts for the consequences of the Separation and better reflects the Group's underlying financial performance. We will present normalised results for the periods where the financial impact the Separation is considered material.

Value creation

As a financial service provider, we play an important role in the economic life of individuals, businesses and nations – helping to create, grow and protect wealth through partnerships in economic development. Through these activities we must take into account considerations of our stakeholders as we pursue our ambition to have positive impact on society and deliver shareholder value.

We measure the impact and outcomes of our business activities on the Six Capitals through a stakeholder scorecard which is presented along with governance and remuneration which support value creation.

Materiality

Our ability to create value is impacted by a multitude of factors including the operating environment, our responses to the risks and opportunities and our chosen strategy. Through this report, we provide the context for what we have deemed our material matters - those which have influenced, or could influence, our ability to create value over the short, medium and long term – and how we are managing and governing our responses.

Material matters

Our operating environment is characterised by volatility and uncertainty; increased competition and disruptive technologies; changing consumer behaviour and increasing regulations. Within the context of the Separation and our new strategic, cultural and digital journey, we manage the following material matters:

The **Separation** from Barclays which includes the transition of services (including technology solutions) previously provided by Barclays and the brand change.

Increased competition, changing consumer demand, disintermediation and disruptive technologies are changing our business. To meet **customers**' needs, we must focus on delivering innovative products and services, informed by advanced data analytics, which are enabled through an increasingly automated and digitised environment. Critical to this is the customer experience, the stability of systems and ensuring trust and safety of people, assets and information.

Our **employees** seek to be engaged through the structural and cultural change process, expect fair and competitive pay as well as development and career opportunities. Driving diversity and an ethical culture while seeking out scarce skills amidst strong competition and evolving skills set requirements is critical.

A thriving **society** is vital for the Group's ongoing success and our contribution is focused on the education ecosystem, enterprise development and financial inclusion. Increasingly we are reflecting on environmental constraints and the impacts of current and potential future environmental and social risks on our own and our customers' businesses.

Regulators demand a stable and fair financial services industry for the benefit of all stakeholders, with a specific focus on stability of the financial system, consumers and fighting financial crime. We focus on meeting these regulatory requirements, while ensuring we conduct ourselves in accordance with both the law and our Values.

In a highly competitive market, characterised by subdued economic growth and an uncertain and volatile socioeconomic environment, our **investors** seek sustainable revenue growth, within an acceptable risk profile, providing appropriate shareholder returns.

Board approval

This report is an opportunity to provide investors with material information and commentary thereon so that they may make an informed assessment of the year under review. We have striven to be open and transparent and have made a particular effort to improve accessibility in terms of language and in providing adequate information in support of the assertions made by the Board and management in the report.

As we chart a new future as a proud, standalone African financial services group, we will pursue our relationships with investors and all other stakeholders with a spirit of openness. If, after reading this report, you feel there are areas in which we can better live up to this promise, please email **corporate.relations@absa.africa**

Assisted by our Disclosure Committee, we the Board accept ultimate responsibility for the integrity and completeness of this Integrated Report. It is our opinion that this report presents a fair and balanced view of our integrated performance and we believe it shows we are creating sustainable value and prosperity for our stakeholders.

The Board approved this report on 24 April 2019.

Alex Darko	Jason Quinn	Tasneem Abdool-Samad
Colin Beggs	Mark Merson	Wendy Lucas-Bull
Daisy Naidoo	Mohamed Husain	Yolanda Cuba
Daniel Hodge	Peter Matlare	
Francis Okomo-Okello	René van Wyk	

Icons used in this report

The six capitals

- Financial capital
- Manufactured capital
- Human capital
- Social and relationship capital
- Intellectual capital
- Natural capital

Stakeholders

- Customers
- Employees
- Society
- Regulators
- Investors

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- Online reference

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Reading **our report**

Insights to Absa and our operating environment

Who we are

An African financial services group committed to enabling the growth and success of individuals, business and society.

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Our business model

Through our value creating business activities, we aim to deliver products and services while managing our impacts on, and positively transforming, the Six Capitals.

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Market drivers and internal drivers

Competition and technological change	Regulatory oversight	Macroeconomic, socio and political flux	Focus on social, governance and environmental matters

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Our growth strategy

We are enablers – helping individuals, businesses and society.

The Group's strategic focus areas were crafted based on an understanding of the growth dynamics within Africa, across markets, customers and products.

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Integrated planning

Our integrated planning approach takes into account our strategic ambitions, stakeholder needs and future resource requirements within the context of our operating environment, market drivers, risks and opportunities and our material matters.

Pillars of value creation

We believe that there are four pillars that support sustainable value creation.

1 Leadership

Strong leadership is critical to value creation. For leadership to be effective it must be ethical and therefore our Board and senior executives are committed to the highest standards of integrity and ethical behaviour, and set the tone at the top through exemplary leadership. They uphold the standards of conduct required by law, the Group's code of conduct and our Values and the expected behaviours. We strove to achieve the appropriate diversity and to ensure robust governance and keen commercial decision-making.

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2 Governance

Our Board is collectively responsible for delivering sustainable value through oversight of the management of the Group's business, challenging and approving strategic plans proposed by management, and monitoring implementation of these plans in the context of the approved risk appetite, the available opportunities, and the macro and regulatory environment.

3 Risk management

Our strategy focuses on opportunities for growth and takes into account matters which are deemed material for long-term sustainability. The Group strategy is the key driver of risk and return, and is to be achieved within the parameters of the agreed risk appetite. The risk and capital management strategy is developed alongside our strategy and forms an integral part of the integrated planning process. Within the risk and capital management strategy, risk appetite defines the nature and the amount of risk that the Group is willing to take to meet its objectives.

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4 Reward

Our reward practices have been designed to inform how we reward – the behaviours we reward and the behaviours which we discourage. The practices are embedded through performance management, recognition programmes and consequence management. Our reward philosophy underpins our growth strategy, entrepreneurial culture and risk management approach. Its objective is to direct the efforts of our people in delivering our strategy of creating sustainable value for all our stakeholders in a fair and responsible way.

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Delivering stakeholder value creation

We aim to create value by conducting business in a way that promotes positive outcomes for our stakeholders and, in turn, for the Group.

Customers	Customers provide not only revenue but are the main source of deposits that enable our lending activities. To remain relevant, we offer innovative and cost-effective products and solutions to meet their needs 31
Employees	Capable, engaged and knowledgeable employees with access to value-creating customer solutions, will drive our commercial success and advance our reputation. We provide employment, fair pay and development opportunities. 33
Society	Our success is interlinked with the wellbeing of the societies in which we operate. Charities, non-governmental organisations and public and private sector partnerships enable the Group to amplify our positive impact in addressing a number of socioeconomic challenges. 35
Regulators	Sound governance and compliance with the legal and regulatory frameworks creates a stable financial services system that guides the way we do business. 37
Investors	Shareholders and debt investors who provide capital and funding, and have a vested interest in the performance of the Group. We require a strong relationship to ensure a shared expectation around our vision, strategy and future performance. 39

The Absa Group today

We are an African group, inspired by the people we serve and determined to be a Group that is globally respected and that Africa can be proud of. We are committed to finding local solutions to uniquely local challenges and everything we do focuses on adding value.

We are creating an organisation that can make better decisions faster, is aligned and engaged at every level, headed by leaders who inspire the whole organisation to action and give our employees an emotional sense of belonging and commitment.

We are driven by our purpose and...

Bring your possibility to life.

We believe in possibility, in the actions of people who always find a way to get things done. We believe in creating opportunities for our customers to make their possibilities real and supporting them every step of the way.

...guided by our promises.

1. **For our people**, we will create a culture that appreciates, unifies and differentiates us from our competitors.
2. **For our customers**, we will create unprecedented, seamless experiences to engage and delight them.
3. **For society**, all our employees will lead with a conscience... doing the best for people and the planet.

We live by our Values.

- We drive high performance to achieve results
- Our people are our strength
- We are obsessed with the customer
- We have an African heartbeat

Our strategy will bring our purpose to life as we pursue our goal of growth.

3 priorities
To restore
To innovate
To empower

3 enabling capabilities
To scale
To grow
To shape

Our strategic objectives

1. Growing our portfolio while contributing to the growth of the markets we serve.
2. Reducing costs by creating a more efficient and effective organisation.
3. Delivering top, sustainable returns that maximise long-term value.

Our measures of progress

1. To grow revenue faster, on average, than the South African banking sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters.
2. To consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021.
3. To achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

Group
performance overview

We offer all our customers across the continent a range of personal, business, corporate and investment, wealth management and insurance solutions.

Diverse and transforming Group

Number of employees
40 856
(2017: 41 703)

Women
61.1%
(2017: 61.2%)

Women in senior management
34.9%
(2017: 34.1%)

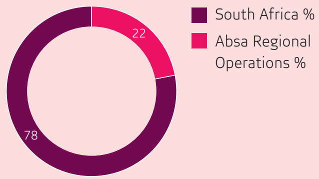
South Africa

Total Black
74.0%
(2017: 73.2%)

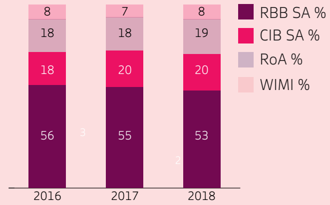
Senior Black management
49.3%
(2017: 44.3%)

B-BBEE level 2
(2017: level 2)

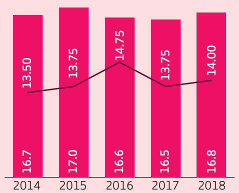
Income
R75.7bn[1]
(2017: R73.0bn)



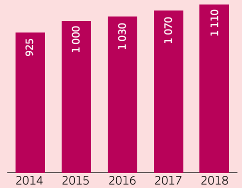
Headline earnings
R16.1bn[1]
(2017: R15.6bn)



Return on equity (%)[1]



Dividend per ordinary share (cents)



Assets
R1.3trn (2017: R1.2trn)

Assets under management
R337bn (2017: R335bn)

Strong deposits and loans

Group loans and advances to customers
R842bn
(2017: R750bn)

Group deposits due to customers
R736bn
(2017: R690bn)

Sound risk profile

Stage 3 loans ratio to gross loans and advances
5.1%
(2017: 5.6%)

Credit loss ratio
0.73%
(2017: 0.87%)

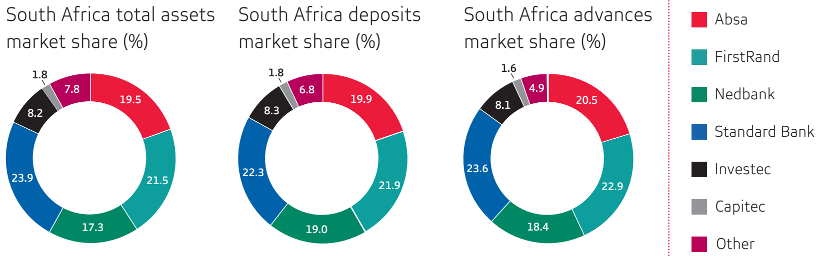
Significant capital and liquidity

Common equity tier 1 ratio
12.0%[1]
(2017: 12.1%)

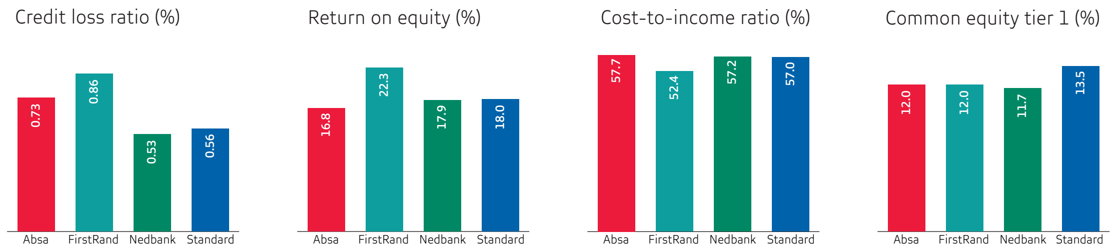
Liquidity coverage ratio
116.7%
(2017: 107.5%)

[1] Normalised
[2] Rebased to reflect IFRS 9 impact

Absa within the South African banking context



Source: South African Reserve Bank BA 900 31 December 2018



[1] IFRS 9 day 1 impact is being phased in over a three-year period with exception of Nedbank.
[2] Absa and FirstRand report return on equity on a normalised basis while Nedbank reports on a headline earnings basis excluding goodwill.
[3] Nedbank and FirstRand include associate income in the calculation of the cost-to-income ratio, whereas Absa and Standard Bank exclude associate income.
Source: Peer reports

Our **organisational** structure, products and services

Retail and **Business** Banking (RBB)

Arrie Rautenbach

Products and services

Universal offering across retail, enterprise and commercial banking.

Presence

South Africa

Strategic goals

- Through a cultural journey, drive to a market-facing culture which is defined by results, learning, enjoyment and caring.
- To actively retain our customers and to focus on new customer acquisition.
- To focus on relationships as our core, moving from a product focus to serve the customer through their life stages.
- To drive cost efficiencies.
- Digital first in everything we do. To embed digital in every business unit's execution plan.

Headline earnings
R8.9bn
53.1%
of Group[1]

Revenue
R43.6bn
56.4%
of Group[1]

Corporate and **Investment** Bank (CIB)

Charles Russon

Products and services

Specialist solutions across corporate and transactional banking, investment banking, financing, risk management, advisory products and services.

Presence

South Africa and serving customers across Africa alongside Absa Regional Operations

Strategic goals

Increase share of wallet in current businesses through:

- A focus on key growth sectors (power, utilities and infrastructure, agriculture, consumer, natural resources and financial institutions) through stronger origination and commercialisation capabilities.
- A Corporate Bank focused on transactions, custody and trustee, payments and integrated propositions.
- Product expansion to select markets across Africa – commercial property finance, structured trade commodity finance, risk solutions group and index solutions.

Target new growth including:

- Leveraging partners to expand our footprint in Africa.
- Strong networks across key global corridors leveraging partnerships including in China and greater Asia, while developing our presence in the United Kingdom and the United States to support our customer base in Africa.
- To successfully deliver the separation of Corporate and Investment Bank specific systems from Barclays.

Headline earnings
R3.4bn
20.1%
of Group[1]

Revenue
R11.6bn
15.0%
of Group[1]

[1] Excluding Head office, Treasury and other operations in South Africa and the impact of the Barclays separation effects.

Absa Regional Operations (ARO)

Peter Matlare

Products and services

Comprehensive suite of retail, business, corporate and investment banking products and services.

Presence

Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania, Uganda and Zambia. Representative offices in Namibia and Nigeria.

Strategic goals

- To grow share significantly in core middle and affluent markets and to implement innovative and low-cost digital platforms.
- To deliver the optimal distribution channel mix based on customer requirements in the retail business to include agency banking and streamlined bancassurance model.
- To enhance relationship manager capabilities and to reach leading market share in focus sectors in business bank such as agribusiness and supply chains.
- To optimise the current portfolio and deepen the CIB product suite across presence markets.
- To successfully deliver the Separation, including systems and the brand name change.

Headline earnings
R3.2bn
19.2%
of Group[1]

Revenue
R16.3bn
21.1%
of Group[1]

Wealth, Investment Management and Insurance (WIMI)

Nomkhita Nqweni

Products and services

Advice-led investment, credit and banking solutions for high net-worth customers as well as asset management and insurance offerings.

Presence

Botswana, Kenya, Mozambique, South Africa, Tanzania and Zambia.

Strategic goals

- To build a digitally enabled end-to-end insurance capability to improve access, service and retention while attracting new customers.
- To deepen integration with Retail and Business Banking offering a seamless bancassurance offering.
- To continue building a diverse asset management offering to compete effectively for institutional mandates while attracting increased retail flows.
- To focus on Wealth Management increasing share of wallet, strengthening customer retention and expanding offerings to Private Bank customers.
- To focus on current Absa Regional Operations by optimising returns in countries where we have a presence and which offer attractive growth and return prospects.

Headline earnings
R1.3bn
7.6%
of Group[1]

Revenue
R5.8bn
7.5%
of Group[1]

[1] Excluding Head office, Treasury and other operations in South Africa and the impact of the Barclays separation effects.

Our value creating **business model**

Financial service providers play an important role in the economic life of individuals, businesses and nations – helping to create, grow and protect wealth through partnerships in economic development. Our business model is designed to create value for our shareholders and to deliver broader socioeconomic benefits to society.

Inputs

Financial capital
A balanced funding mix and solid equity position to support operations and business activities of taking deposits and lending.

Manufactured capital
Infrastructure including the technology used in the production of services and the delivery of products to our customers.

Human capital
A strong ethical culture that is customer and employee centric with competent and skilled employees engaged within a diverse workforce.

Social and relationship capital
Collaborative relationships with a range of stakeholders including strategic service partners, regulators and communities where we operate and aim to contribute to socioeconomic development and societal wellbeing.

Intellectual capital
Safe, effective information and technology infrastructure combined with a strong brand and institutional knowledge, specialised skills and expertise.

Natural capital
Energy (electricity, solar and gas), air, water and waste management.

Our business activities and outputs

We conduct our activities through the lens of our strategy.
We assist customers to create, grow and protect wealth by offering an integrated set of banking and insurance products and services delivered through our customer facing businesses

RBB SA | CIB | WIMI | ARO

who are enabled through robust operations management guided by common policies and frameworks to ensure consistent and integrated execution to improve service levels and gain synergy and scale benefits.

Integrated planning

Our integrated planning process takes into account our Purpose, our capabilities, our strategic ambitions and our operating environment

- Identify and assess
- Plan and prioritise
- Respond and monitor

Operational execution

Financial management

Information technology

Human resources

Facilities management

Procurement

Marketing and communications

Deliver products and services

We work to provide:

- Wholesale and retail transactional banking solutions
- Investment savings and credit solutions
- Asset and wealth management solutions
- Insurance solutions

Pillars of value creation

1 Leadership | 2 Governance | 3 Risk management | 4 Reward

Outcomes

For customers
- Innovative, efficient, cost-effective banking solutions that meet customers' needs.
- Improved access to markets and financial services including access to information and advice.
- A safe and trustworthy financial services provider.

For employees
- A workplace where employees can be productive and achieve their potential.
- Performance underpins the rationale for recognition and reward.
- Self-led development and an opportunity for career progression.

For society
- Ethical behaviour.
- Support for economic growth.
- Increased access to, and funding for, education opportunities.
- Decreased negative environmental impact.

For regulators
- Fair and ethical engagement when dealing with the Group.
- A stable financial services sector.
- An inclusive and transformed sector.

For investors
- Growing, sustainable return on their investment through attractive dividends and growth in share price.
- Return on debt-based investments delivered in agreed timelines.

How we think about **value creation**

	Value for the stakeholder	Value for the Group	Outcomes	Managing the outcomes
Customers	• Innovative, efficient, cost-effective banking solutions that meet customers' needs. • Improved access to markets and financial services including access to information and advice. • A safe and trustworthy financial services provider.	• Improved customer satisfaction. • Customer trust and support. • Increased revenue from existing and new customers.	(+) NPS® continued to improve, but remains below expectations. (+) Enhanced digital solutions such as WhatsApp banking, Samsung Pay and Timiza. (+) Relaunched Absa brand with full implementation by mid-2020. (+) Grew loans to R842bn and deposits to R736bn.	• Reorganisation and re-shaping of the business starting with Retail and Business Banking. • Ongoing work to stem customer losses; re-shape the customer profile and restore trust and confidence. • Driving innovation and articulation of a digital strategy to reshape the Group.
Employees	• A workplace where employees can be productive and achieve their potential. • Performance underpins recognition and reward. • Self-led development and opportunities for career progression.	• High productivity through quality employees who are engaged and retained. • A ready pool of diverse and experienced talent equipped to meet current and future needs.	(+) New culture and Values. (+) Improved employee engagement. (+) Gender and race[1] diversity improving. (+) Invested R426m in training. (+) 2 284 learnerships. Employee turnover of 9.1% .	• Culture reset delivering a target culture and new corporate values. • Implementation of multiple engagement forums. • Focus on transformation to include gender and, in South Africa, race.
Society	• Ethical behaviour. • Support for economic growth. • Increased access to, and funding for, education opportunities. • Decreased negative environmental impact.	• Strengthened social licence to operate. • Decreased risk exposure for example greater financial literacy. • Minimised environmental impacts (direct and indirect). • Enhanced economic growth.	(+) B-BBEE Level 2.[1] (+) Invested R266m in education initiatives. (+) R2.9bn procurement with small and medium enterprises.[1] (+) Five green star rated buildings.[1] (−) Total emissions 296 468 tonnes CO_2 (down 2.8%).	• Ongoing stakeholder engagements informed by a revised Group Policy and engagement framework. • Continuous improvement of corporate governance, compliance and risk management practices. • Establishment of a Group-wide sustainability programme.
Regulators	• Fair and ethical engagement when dealing with the Group. • A stable financial services sector. • Inclusive and transformed sector.	• Sound corporate values, high ethical standards, market integrity and good conduct practices. • Sustainable operations. • Stakeholder trust and support.	(+) Strong corporate governance. (+) Compliance with laws. (+) Achievement of capital and liquidity requirements.	• Continued engagement with regulators across all presence countries with a focus on the Separation. • Ongoing engagement/contribution to legislative developments.
Investors	• Growing, sustainable return on their investment through attractive dividends and growth in share price. • Return on debt-based investments delivered in agreed timelines.	• Adequate levels of capital and liquidity to fund growth. • Effective risk management. • Investment and support from shareholders.	(+) Distributed R9.0bn in ordinary dividends. (+) Retained R9.5bn for future investment.	• New strategy and medium-term performance targets alongside a focused Separation programme. • Maintained dividend payout. • Amended remuneration approach to address shareholder concerns.

[1] South Africa only.

Influencing **market drivers, risks** and **opportunities**

There are a number of distinct factors shaping the financial services industry now and into the future. Linked to these market drivers, are risks and opportunities, both general to the external environment and a number that are specific to Absa. These are actively assessed, appropriate responses are defined and the performance monitored both against our strategic ambitions as well as through our principal and key risks as defined within our Enterprise Risk Management Framework (page 19).

1 **Competition and technological change:** Increasing competition, technology and the pace of change impacts our ability to remain relevant to our customers as well as our competitiveness and the associated operational risk.

Market drivers and key risks

- Disruption through fintechs and new digitally-led competitor banks which also influences customer behaviour.
- Ever increasing sophistication of cybercrime, fraud risk and financial crime requires continuous improvement of monitoring and prevention to protect customers and the Group.
- The need for threat detection, the prevention of security breaches, disruptions and data mis-management.
- The Separation, combined with strategic organisational change, increases business risk, reputational risk (specifically brand risk) and people risk.

Opportunities and mitigation activities

- Building and embedding a winning brand with a focus on innovative business processes and products, including diversification into new markets and customer segments.
- Delivering scalable, digital solutions that focus on customer needs.
- Developing artificial intelligence solutions using global data to strengthen security measures and crime prevention.
- Continuing to invest in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues.
- Ongoing employee education on the prevention of cyber related risks.
- Closely monitoring and managing risks arising from the Separation and organisational change.

2 **Regulatory oversight:** New and emerging regulations impact on our operations as well as our products and services.

Market drivers and key risks

- The increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets.

Opportunities and mitigation activities

- Maintaining a coordinated, comprehensive and forward-looking approach to evaluate, respond to, and monitor regulatory change. This is done through ongoing investment in people, processes and systems across the Group.
- Participating in regulatory and statutory advocacy groups across all presence countries.

3 **Macroeconomic, socio and political flux:** The macroeconomic environment impacts on our ability to sustain business and achieve our market commitments while the socio and political environments impact on our operating environment. Africa has unique demographics and economic development.

Market drivers and key risks

- Global uncertainty arising from international trade discussions and Brexit result in increased pressure on emerging markets.
- Increasing cost and scarcity of capital, funding and liquidity across global markets.
- Subdued economic growth, high unemployment, increased inequality and low business and consumer confidence impacting South African markets.
- Unfavourable macroeconomic performance with increasing debt burdens, rate hikes and fiscal shortfalls seen in ARO presence countries.
- Policy uncertainty in South Africa is a barrier to investment. Key risks include the mining charter, potential land expropriation, state-owned entity uncertainty and economic disparities.
- Political risk arising from elections and policy uncertainty have affected the economies in a number of presence countries.

Opportunities and mitigation activities

- Monitoring and managing risk strategy and appetite based on the ongoing evaluation of global and African developments to identify and mitigate risks as they arise, while enabling business to pursue opportunities.
- Monitoring leading indicators to ensure economic risks are effectively managed, including:
  - hedging of interest rate risk and foreign exchange risk as appropriate;
  - proactively managing credit portfolio risks; and
  - strengthening the Group's position in the presence countries that are growth markets while seeking opportunities to diversify into new markets.
- Analysing scenarios to assess the impact of a potential South African sovereign downgrade.
- Engaging with communities and supporting initiatives as part of the Group's commitment to play a role in society.
- Participating in industry advocacy groups to contribute to new and innovative ways to solve social challenges.

4 **Focus on social, governance and environmental matters:** Social and climate change risk impacts on the Group, our customers and the operating environment.

Market drivers and key risks

- Persistent inequality, increasing activism as well as emerging regulation and reporting requirements focused on a broader range of social, environmental and governance-related matters.
- Adverse weather conditions resulting in extreme environmental events (e.g. droughts, floods and fires) impacting community sustainability with credit and insurance risk implications.
- Increased global stakeholder focus on sustainability of the investments and customers associated with corporates.
- Complexity of the data available to accurately model the implications of climate change.

Opportunities and mitigation activities

- Engaging internally and with external stakeholders through Group-wide strategic sustainability programme, to understand and assess impacts and opportunities on the Group and for our customers.
- Engaging with communities and supporting initiatives as part of the Group's commitment to play a role in society.
- Continuously assessing the suitability and strategic alignment of products and customer value propositions against changing environmental factors and the impact on the Group's risk profile.
- Developing and enhancing preventative and reactive credit and insurance risk models.

A strategy for growth

3 priorities

Create a thriving organisation

We will differentiate ourselves by:

- Creating an entrepreneurial culture that is diverse and inclusive.
- Empowering our employees to become outwardly focused and customer-obsessed.

Restore leadership in core businesses

We will restore leadership in our core businesses by:

- Creating a competitive advantage through an understanding of our customers and anticipating their needs.
- Providing our customers with customised solutions across their life-cycle, delivered through superior service and supported by transparent pricing.

Build pioneering new propositions

We will drive growth by:

- Creating a consumer finance franchise within retail that is fully digital, mobile-enabled and equipped to manage risk.
- Developing a global payments hub, offering transactions on a single digital platform, linking businesses across the continent and ensuring easy and affordable cross-border transactions.
- Launching a transactional banking platform for small businesses and corporates, which will provide digitised and automated cash management and trade finance products.

Our purpose

Our goal

Growth of our portfolio while contributing to the growth of the markets we serve.
We will reduce costs by creating a more efficient and effective organisation and deliver top, sustainable returns that maximise long-term value creation.

3 enabling capabilities

Build a scalable digitally-led, business

We will modernise our business by:

- Building digital capabilities that enable us to become a scalable, digitally-led business.
- Building new capabilities to explore growth opportunities and reinforce an entrepreneurial culture.

Pursue growth opportunities

We will augment our organic growth by:

- Pursuing targeted acquisitions and investing in businesses that boost our capabilities.
- Expanding into targeted new markets either through starting new, or buying, existing businesses.
- Leveraging strategic partnerships to further enhance our value proposition and offerings.

Play a role in shaping society

We will build a business that Africa can be proud of by:

- Earning the trust of our stakeholders by contributing to the shaping of communities in which we operate, while acting with integrity and delivering on our promises.
- Contributing to thought leadership in financial services and promoting inter-generational sustainability through the preservation of our environment.

Our strategy is underpinned by **three promises**

Delivering on our strategic intent and realising the promises will result in the Group realising our goal of growth while becoming an African financial services group that is globally respected and that Africa can be proud of.

1 Our People Promise

We will drive a culture that appreciates, unifies our employees, and differentiates us from our competitors.

Shared identity
- Individually responsible for our organisation's success.
- Stronger together, than the sum of our individual parts.
- Embrace individual uniqueness and diversity.
- Transformed and diverse workforce.

Colleague credo
- All colleagues are empowered leaders of our business.
- Take personal ownership and learn quickly from mistakes.
- Personify resilience and build trust-based relationships.
- Blend experiences and creativity to solution today and create the future.

Common purpose
- Each colleague has a role in achieving our purpose.
- Bringing to life the 'art of the possible'.
- People united in serving customers and humanity.

Meaningful experiences
- Actively promote learning and growth.
- Create organisation-wide development opportunities.
- Enabled working environments.

2 Our Customer Promise

We will delight our customers and create seamless experiences.

Caring
- We genuinely care about the communities we serve.
- We will form a strong bond with our customers.

Connected
- We will understand and anticipate our customers' needs and aspirations.
- We will empower our customer to make their future better.
- We will provide integrated solutions that address customer needs.

Simple, but not basic
- We will deliver seamless service to our customers.
- We will create solutions that continuously aim to make our customers lives better and easier.
- We will make banking possible anytime and anywhere.

Professional
- We will 'live' the highest standards of professional conduct.

3 Our Social Promise

We will lead with a conscience and contribute to society . . . doing the best for people and the planet.

Contributing and shaping
- We will provide thought leadership regarding the development of new and innovative solutions to societal challenges.
- We will aim to promote inclusive growth in the societies in which we operate.
- We will contribute by caring for our environment and by helping others to do the same.

Do the best for people and planet

We will test our decisions against the promise of:
- 'Best' as the most desirable and sustained standard.
- 'People' are individuals, communities and society.
- 'Planet' is the natural environment.

Pillar of value creation
Board leadership

Executive directors

62
René van Wyk
Chief Executive Officer
BCom, BCompt (Hons), CA(SA)

44
Jason Quinn
Financial Director
BAcc (Hons), CA(SA)

59
Peter Matlare
Deputy Chief Executive Officer and Chief Executive: Absa Regional Operations
BSC (Hons), MA (SA studies)

Independent non-executive directors

Independent Chairman

65
Wendy Lucas-Bull
BSc

Lead independent director

58
Mohamed Husain
BProc

66
Alex Darko
MSc (Management Information Systems), FCCA

70
Colin Beggs
BCom (Hons), CA(SA)

46
Daisy Naidoo
BCom, CA(SA), MAcc (Tax)

69
Francis Okomo-Okello
LLB (Hons), Dip (Law), Certified Public Secretary

50
Mark Merson
MA (Hons), ACA

59
Sipho Pityana
BA (Hons), MSc

45
Tasneem Abdool-Samad
BCom, CA(SA)

41
Yolanda Cuba
BCom, BCom (Hons), CA(SA)

Non-executive director

46
Daniel Hodge
ACA, MA (Hons)

Information as at 24 April 2019 and includes Sipho Pityana who is appointed with effect from 1 May 2019.

Detailed biographies of our Board members can be found at **absa.africa**

Board **composition and refresh**

The magnitude and complexity of the Group influences our Board's composition and we strive to have an appropriate balance of diversity to ensure robust governance, keen commercial decision-making and strong technical inputs. We assess diversity against skills and expertise, independence, gender, age, race as well as tenure. Our Board refresh process takes tenure and succession, retirement/resignation, skills and board evaluations into account.

The analysis below includes Sipho Pityana who joins the Board from 1 May 2019.

Race and gender

Female	Race (SA) Black
4 of 14 (29%)	**6 of 14 (43%)**

The targets for race and women representation at a minimum of 30% each.

- 29% of the Group Board are women. The boards of South African subsidiaries are 35% women and the country bank boards are 22.5%. The average across all our subsidiary boards is 30%.
- 43% of Group Board is Black, while the representation across all the South African subsidiary boards is 42%.

Independence

Independent directors	**10 of 14**

The Board is to comprise of a majority non-executive directors, the majority of whom are independent.

We seek to promote independent judgement and diverse mind-sets and opinions. All directors must exercise their judgement independently, irrespective of their status. Independent non-executive directors are assessed annually in accordance with the JSE Listings Requirements and King IV recommendations. The directors assessed in 2018 maintained their independent status. We also reassessed independence in early 2019, together with a detailed time and capacity assessment, as recommended by the South African Reserve Bank Governance Directive 4 of 2018.

Tenure

Tenure of Board members

Staggered rotation of Board members to retain knowledge, skills and experience and to maintain continuity, while introducing new expertise and perspectives. Directors serving over nine years are subject to annual re-election.

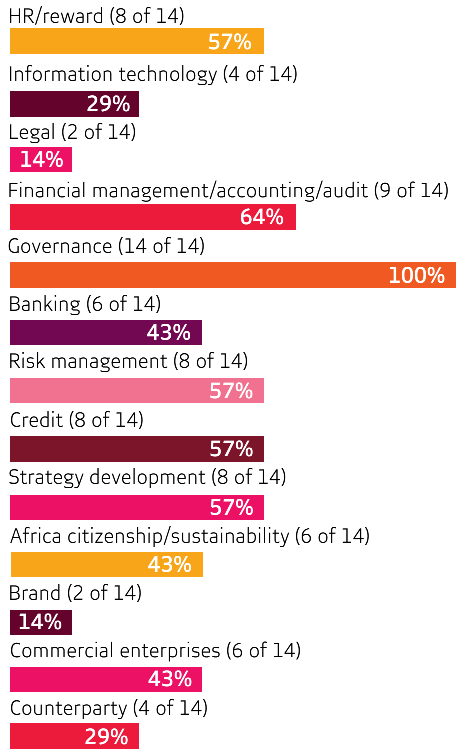
Length of service is reviewed as part of succession planning. The balance of longer-serving directors and recent appointees provides a combination of Group-specific experience and fresh challenge. In terms of the South African Reserve Bank Governance Directive 4 of 2018, directors having served longer than nine years will be regarded as non independent. Mohamed Husain and Yolanda Cuba have served on the Board for more than nine years. Yolanda will be retiring at the 2019 annual general meeting. The Board assessed and concluded that Mohamed remains independent and continues to make a valuable contribution to the Board's value creation efforts. Mohamed will offer himself for re-election. We have received dispensation from the Prudential Authority for Mohamed to maintain his independent status until June 2020 as well as for Colin Beggs, who will reach his nine-year anniversary shortly after the 2019 annual general meeting.

Skills and expertise

Members should have the highest levels of integrity, a deep understanding of governance, appropriate technical, financial and non-financial knowledge and interpersonal skills. In particular, skills and experience in the areas of banking, risk and capital management, technology, general commercial, financial, auditing, accounting, large-scale industrial, counterparty negotiation, legal, human resource and reward, as well as pan-African strategic engagement are required of the Board as a collective.

The current skills and experience of our Board are outlined alongside. Our boards outside of South Africa have continued to focus on their composition and skill sets.

Skills and experience



Pillar of value creation
Executive leadership

Executive directors

62
René van Wyk
Chief Executive Officer
BCom, BCompt (Hons), CA(SA)

44
Jason Quinn
Financial Director
BAcc (Hons), CA(SA)

59
Peter Matlare
Deputy Chief Executive Officer and Chief Executive: Absa Regional Operations
BSC (Hons), MA (SA studies)

54
Arrie Rautenbach
Chief Executive: Retail and Business Banking South Africa
BBA, MBA, AMP

58
August van Heerden
Chief Risk Officer
BCom, BAcc (Hons), CA(SA), ADip (Banking Law)

58
Bobby Malabie
Chief Executive: Marketing and Corporate Relations
BCom, MBA, MDP

41
Bongiwe Gangeni
Deputy Chief Executive: Retail and Business Banking South Africa
BPharm, PDM, MBA, AMP

52
Charles Russon
Chief Executive: Corporate and Investment Bank
BCom, CA(SA)

54
Charles Wheeler
Group General Counsel
Acting Head: Compliance
BA, LLB, HDip (Tax)

44
Nomkhita Nqweni
Chief Executive: Wealth, Investment Management and Insurance
BSc, PGDip (Invest Mgmt)

56
Paul O'Flaherty
Chief Executive: Engineering Services
BCom; BAcc (Hons); CA(SA)

49
Roze Phillips
Group Executive: People and Culture
MBChB, MBA

Tenure with the Group

Tenure on the Executive Committee

Age

Diversity

Female
3/12 (25%)

Race (SA) Black
5/12 (42%)

Information as at 24 April 2019

Zameera Ally, Chief Internal Audit is an *ex-officio* member of the Executive Committee.

Detailed biographies of our Executive Committee members can be found at **absa.africa**

Pillar of value creation
Governance

The Board's primary responsibilities

Decision-making: The Board approves the Group's strategic goals and the associated budgets, key policies, major policy decisions and certain significant actions.

Oversight: The Board delegates to management authority and responsibility for the day-to-day running of the business and reviews management's performance and effectiveness by overseeing strategy execution, delivery against plan, the customer franchise, the control environment, the adequacy of systems, employees and resources.

3 oversight priorities

Risk and control oversight

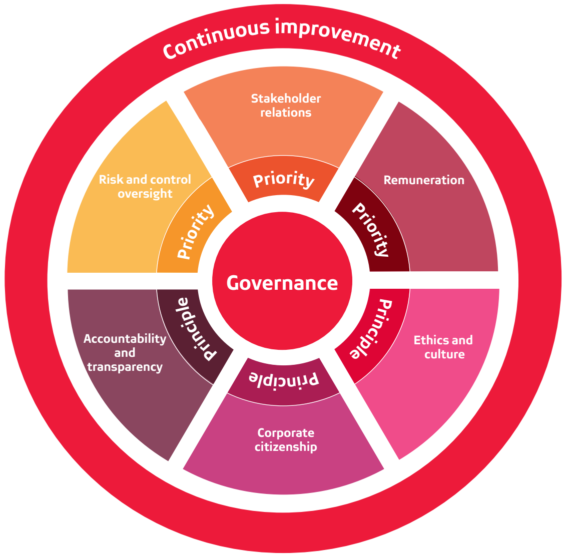
The Board approves the Group's Enterprise Risk Management Framework (incorporating the principal and key risks) and the Group's risk appetite and then monitors the implementation of both, including the approval of key risk frameworks through its committees; and receiving reports on under and over utilisation of risk appetite together with triggers, limits and management actions.

Stakeholder relations

The Board and management proactively engage with material stakeholders and address their concerns in the best way possible. Collaboration is important to the Group's approach, and strategic partnerships are driven with like-minded stakeholders.

Remuneration

The Board ensures our remuneration principles and practices are designed to deliver remuneration that is competitive, fair, incentivises performance, assists in retaining talent, reflects regulatory requirements and is aligned with risks as well as the conduct expectations of the Group. The Board is aware of the need to deliver value to shareholders and to pay for performance, and takes this into account when considering management's remuneration.



The Board is committed to continuous improvement of our corporate governance principles, policies and practices and does so, through awareness of evolving regulation and best practices, engagement with regulators and industry bodies, and regular feedback from other stakeholders.

3 underpinning principles

Ethics and culture

The Board is committed to the highest standards of ethical behaviour. Directors strive to uphold the standards of conduct required of them by law, regulation and policies; while demonstrating the behaviours that are consistent with the Group's Values.

Corporate citizenship

The Board acknowledges the role of the Group in (i) contributing to the growth and development of the societies in which we operate; (ii) being accountable for our impact on the environment; and (iii) evolving as our communities change. Compliance with laws and regulations is a critical aspect of our citizenship efforts.

Accountability and transparency

The Board commits to providing credible and comprehensive financial and non-financial reporting accompanied by constructive stakeholder engagement. With respect to the public and other stakeholder interests, we will align with best practice relating to disclosures and be subject to internal and/or external assurance and governance procedures.

Embedding Corporate governance

Good corporate governance creates and sustains shareholder value; ensures that our behaviour is ethical; and promotes positive outcomes for all stakeholders. Our approach is assessed against the King IV Code of Corporate Governance.

King IV application review

Applying King IV

Our governance practices align with those recommended in King IV and so comply with the related JSE Listings Requirements. We consider the expected governance benefits from application of the recommended practices to our key governance areas against King IV's envisioned outcomes of ethical culture, effective control, good performance and legitimacy. We seek to continuously improve, and to mature our practices. We are now largely complaint against the 17 principles and the 400 underlying recommended practices.

In 2018, we undertook a number of key activities relating to our application of King IV:

- Completed the development of a Group Governance Framework, engaged with our material subsidiaries regarding the application of King IV using internally developed proportional application guidelines, and on the terms of the Group Governance Framework, received inputs and incorporated same through an iterative process; Reviewed the governance structures of our material subsidiaries as part of the Board's oversight of group governance as recommended under Principle 16.
- Progressed the Group's stakeholder engagement approach including Board approval of our revised stakeholder policy and framework.
- Progressed combined assurance with a clearer definition of the 2nd and 3rd lines of defence and further measures to embed throughout our operations. Notably, combined assurance is an integral control applied to the Separation projects.
- Received reports from internal audit at each reporting cycle on King IV related to the governance environment, noting how it supported financial reporting; and the positive outcomes thereof for the Group.
- Developed a revised reward philosophy and policy which has been approved by the Remuneration Committee.

Group Governance Framework

As a major bank, investment manager and insurer in various jurisdictions, we have significant responsibilities to our customers, in particular our depositors and to the public at large to contribute to a stable, secure and prosperous environment. We acknowledge our significant responsibility to our regulators and continue to have open, transparent and constructive relationships with them.

Our Framework standardises the application of policies and standards and ensures the Group's minimum requirements in governance, internal controls, financial management, disclosure controls, risk management, legal and regulatory compliance, internal audit, ethics management, human resource management, information management, stakeholder relationships and sustainability are complied with. It provides clarity on roles and responsibilities of the Group and subsidiary boards, the proportional application of King IV by subsidiaries as well as the management of discretion limits across the Group.

At a subsidiary level, each management team is responsible to report back to the legal entity board on a regular basis so that the entity's board can monitor business performance, comply with its fiduciary responsibilities and local regulatory requirements, matters affecting the risk profile and risk appetite, the control environment, and matters of citizenship, ethics and stakeholder relationships. As a shareholder, the Group is involved in approving material decisions of its subsidiaries, but with the ultimate approval rights resting with the subsidiary boards.

While recognising the importance of local regulatory requirements, our Group functions are responsible for the design of the systems and processes to promote adherence by all Group companies to the minimum Group requirements.

Regular engagements take place between the Group Chairman and the chairs of major subsidiary boards to discuss both strategic and operational matters.

Our Chief Executive: Absa Regional Operations, Peter Matlare, engages with the subsidiary bank boards to manage business performance, regulatory relations and Separation related activities.

Pillar of value creation
Risk management

As a financial services group, effective risk management and control are essential for sustainable and profitable growth.

Pillar 3 risk management report for the period ended 31 December 2018

Risks exist when a decision or action has an uncertain outcome that could impact our performance. They arise for a variety of reasons, including external events (economic shifts and regulatory change) and internal events (system failure or poor sales practices). We take select risks, such as lending money to a customer after appropriate consideration. We use a risk management framework to set a balanced risk appetite that takes into account the operating environment and our strategy. The framework sets out activities, tools, techniques and practices to (i) comply with regulatory frameworks and (ii) identify and manage material risks. It also ensures appropriate responses that protect Absa and our stakeholders. It is essential that business plans are supported by an effective risk management framework to allow us to grow sustainably and responsibly.

Risk strategy and appetite

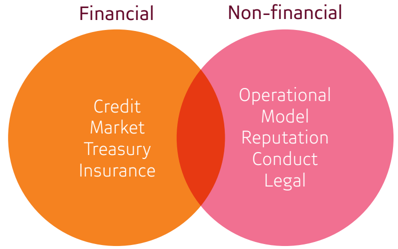
The Group's strategy is set within the parameters of an agreed risk appetite with our risk strategy being developed alongside the Group's strategy. Our risk appetite defines the nature and extent of risk the Group is willing to take to achieve strategic objectives.

Risk management framework

Our approach to managing risk is outlined in the Enterprise Risk Management Framework which is underpinned by the following foundations:

1. A robust and consistent governance structure at Group, country and business level.
2. Well defined material risk categories known as principal risks.
3. A three lines of defence model with clear accountability for managing and overseeing.
4. A comprehensive process to evaluate, respond and monitor risks.
5. A robust risk operating model which provides clear roles and responsibilities.

Nine principal risks



Risk operating model

We apply a three lines of defence model to govern risk across all businesses and functions.

1st line
Process and control owners in customer facing segments and Group functions which are responsible for managing end-to-end risks and controls in their businesses.

2nd line
Independent risk, compliance, legal and control functions which formulate risk and control policies, and review the first line's adherence to these.

3rd line
Internal audit function test and review controls to determine that the first and second lines execute their responsibilities effectively and consistently.

Evaluate, respond, monitor

This is a structured and practical risk management approach to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile.

Evaluate
Individuals, teams and departments, including those responsible for delivering the objective under review, identify and assess the potential risks.

Respond
The appropriate risk response ensures that risks are managed within risk appetite. This includes:
- risk mitigation;
- risk transfer; and
- ceasing certain activities.

Monitor
Ensure that risk profiles remain within agreed appetite levels, verify that controls are working as intended, and challenge or promote re-evaluation of the risks.

Pillar of value creation
Reward

We present a snapshot of how remuneration is used to encourage value creation, discourage behaviours leading to value destruction and how we go about embedding these practices.

Our Remuneration Policy and our 2018 Implementation report page 49.

What we do	What we don't do	How we embed these practices
• Define, measure, review and reward performance supportive of the achievement of our strategy, within risk appetite. • Assess an individual's performance through objectives as well as the Values and expected behaviours. • Align remuneration outcomes to the value we create for shareholders and other stakeholders, in the short, medium and long term. • Link pay and performance using a primarily formulaic approach, with appropriate discretion to mitigate for unintended outcomes. • Ensure accountability in achieving the balance between risk and reward. • Support the efforts of our employees in delivering our strategy which in turn creates sustainable value to our stakeholders. • Deliver fair and responsible remuneration, with continued emphasis to address differentials in reward considering job grade, role, diversity and other objective factors, within the context of affordability and market relativity.	• Reward excessive or inappropriate risk taking or other negative conduct, such as mis-selling. • Reward short-term performance at the expense of sustainable longer-term performance. • Award short-term incentives to individuals in instances of underperformance in terms of their personal performance rating.	• Effective internal communication – improving the transparency of reward outcomes through effective communication of overall performance, as well as individual reward outcomes linked to this. • Performance management – individuals set their objectives aligned to their team and businesses objectives and Group ambitions. Employees and managers have regular performance and development conversations through both our structured performance assessment cycle as well as on an ongoing basis through informal and formal engagements. • Recognition programmes – we have a diverse range of recognition programmes, structured in accordance with the business' needs, to enhance employee engagement in the respective business/function. • Responsible business – we drive ethical behaviour and clearly communicate the impact of inappropriate conduct by emphasising Absa Values and through the use of malus and clawback mechanisms to underpin sustainability of performance outcomes. • Variable pay – takes into account i) performance and risk appetite; ii) appropriate allocation of profit between shareholders, capital and employees, based on performance to business plan; and iii) affordability and market relativity.

Group Chairman's message

2018 was a year of good progress in terms of the Separation and of transformation as we embed the Group's growth strategy throughout the business.

2018 was a year of strategic change for the Group and a year in which the United Kingdom's Prudential Regulatory Authority confirmed that, as of 30 June 2018, regulatory deconsolidation from Barclays had been achieved.

We once again became the Absa Group, still listed on the JSE, however, under our new legal entity name and refreshed brand – a development that became effective on 11 July 2018.

This was a year in which we redefined ourselves through a new corporate strategy and announced resultant changes to our Executive Committee in March and April. Shortly thereafter, we began the restructuring of our South African Retail and Business Banking (RBB) business. RBB is critical to our growth ambitions and its new strategy was presented to investors in December 2018.

We provided our Group guidance to the market on our medium-term financial targets in December (page 23). These targets are based on our current expectations for economic growth and the current regulatory landscapes in our presence countries.

The Separation is proceeding well with the transition of services from Barclays to Absa, through the delivery of a combination of (i) replacement systems (assessed as fit for purpose) to deliver the same functionality on the most appropriate platform; and (ii) transformational systems which offer new and substantially better features for our customers and employees. By year-end, 52% of services contracted with Barclays had been terminated, with 52% of the Separation projects completed (including five of the 24 most complex and interdependent projects). Our Board and its Separation Oversight Committee are regularly updated on all material pieces of work (including major technology implementations), spend relative to forecast, the status of the overall programme, and related assurance reviews.

Good progress has been made on the rebranding of subsidiaries outside of South Africa carrying the Barclays brand. While continuing to use Barclays as their main identity for the time being, these entities now carry an additional "Member of the Absa Family" identifier. We expect the process of changing to Absa to be completed by mid-2020.

A shifting macro environment

We are pursuing our objectives in the context of complex and challenging global and local environments, which may influence our progress.

Africa, along with other emerging market economies, is under pressure, driven by depreciating currencies, rising indebtedness, slowing growth and tighter global financing conditions.

The strength of democratic institutions and rule of law continues to improve across Sub-Saharan Africa – with recent electoral disputes in some countries successfully resolved through legislated processes.

In South Africa, our largest single market, President Ramaphosa has prioritised solving many of the binding constraints to investment and economic growth.

We welcome the steps being taken thus far to expose systemic corruption that has plagued the public and private sectors.

There remain many critical priorities that the government must urgently address, notably South Africa as an investment destination, and the stability and sustainability of the state owned companies, in particular Eskom's capacity to provide power to the country.

While the appointments of new boards of state owned companies and the new management teams are welcomed, many of these companies have significant financial and operational difficulties that require political resolve in a challenging socio-political environment. Most of the banks, like Absa, are key stakeholders in the financing of state owned companies and in the important decisions that need to be made regarding their sustainability. The extent of their challenges requires intricate policy coordination and active management of state owned companies' finances and deep and meaningful structural reforms.

We have observed the development of the land expropriation constitutional amendment process. Absa prepared a comprehensive submission to Parliament, and shared it with various key stakeholders ahead of the Parliamentary vote. In addition to expressing our full support for sustainable land policy reform and restitution, this submission contained well-researched proposals on how to do this in the context of current needs and development trends.

Since a decision has been taken to amend the Constitution to make provision for a more explicit expression of expropriation of land without compensation, it is very important that this process is carefully managed so to encourage the investment climate and to ensure positive economic outcomes, including sustainable food production. Absa will make further submissions as the process moves to drafting of the constitutional amendment and related legislative changes.

Absa supports and contributes to various initiatives to drive sustainable economic growth that leads to the creation of employment opportunities.

Increasing operational risks

In addition to the macro developments and risks referred to above, we are beginning to see the acceleration of some operational risks that are confirmed by the World Economic Forum's Global Risks Report. For example, we had to contend with acute water shortages in the Western Cape and areas of the Eastern Cape. While the rains brought some relief in certain areas, strategic solutions are still not in place and we urge local, provincial and national government to continue the focus on sustainably solving the water crisis.

We know that this is directly related to climate change and that this is increasingly being felt across the continent, affecting our operations, that of our customers and society at large. Our response is threefold.

Firstly, we continue to use water in the most responsible and efficient way possible across our business, not just in the areas where there are acute shortages. Secondly, we will continue to drive environmentally-sustainable ways of operating, including energy usage; water recycling; and green buildings wherever possible. Thirdly, acknowledging the concerning issue arising from climate change and the resulting pressures on future sustainability, we have embarked on a group-wide sustainability programme to consider the potential implications on the Group's operating model, products and services, our customers' businesses and society at large. We are working with independent experts and other stakeholders.

In strained economic times and, in particular given the high rates of unemployment and financial difficulties encountered by state and other private sector-owned companies, we remain acutely aware of the need to lend responsibly to adequately address credit risks. As we advance as a standalone organisation, we will continually adjust our credit risk parameters to achieve a fair balance between growth and sustainable lending.

Furthermore, we continue to observe risks in the financial sector environment, such as the discussion about the independence of the South African Reserve Bank. Our view is that the independence of the Reserve Bank is sacrosanct, regardless of shareholding, and this is stated clearly in the South African Constitution. It will be helpful for this discussion to be concluded as soon as possible, in order to provide certainty to investors and international partners.

CEO succession

In January 2019, we announced Maria Ramos' retirement as the Group's CEO at the end of February 2019 when she turned 60.

Maria had been the Chief Executive Officer since 2009 and had led the Group through significant milestones, including: acquiring Barclays' Africa subsidiary banks and thereby giving the Group much needed geographical diversification; securing a significant Separation settlement from Barclays, driving the subsequent Separation and the finalisation of a new corporate strategy. The strategy was followed closely by a brand refresh in South Africa that foreshadows the complete conversion of our African operations from Barclays branding to Absa, a standalone financial African financial services business.

The Board appointed René van Wyk as the Group's Chief Executive Officer with effect from 1 March 2019 for an interim period. René has been a non-executive director on the Board since February 2017. He was previously the Registrar of Banks within the South African Reserve Bank and has 19 years of experience with Nedbank, as an executive director of risk for then listed Nedcor Investment Bank. He was also Chief Executive Officer of Imperial Bank. René remains on the Group and Bank Boards as an executive director effective from 1 February 2019.

Our ambition is to announce a permanent appointment to the position at our interim financial results in August 2019, following the finalisation of the process of appointing a new CEO and the requisite regulatory approvals. The successor is likely to take over in 2020.

On behalf of the Boards, I wish to thank Maria for a decade of dedicated service to our Group and wish her all the best in her future endeavours. Absa is a different business to the one Maria joined in 2009. Instead of a South African bank it is now a pan-African financial services provider with a footprint in 12 countries in Africa. She left the Group with the Separation on track and clear medium-term targets aligned to the new strategy.

Several changes to the Board

Trevor Munday retired at the annual general meeting in 2018, having joined the Board in 2007. David Hodnett resigned from the Group and the Board after 12 years with the Group, and eight years on the Board. Monwabisi Fandeso was on our Board for a year before stepping down for personal reasons. We thank them for their valuable contributions and wish them well in their future endeavours.

Paul O'Flaherty stepped down from the Board in November 2018, while taking up an executive position as Chief Executive: Engineering Services (covering technology, security and Separation portfolios).

As stated earlier, René was appointed as the Group's Chief Executive Officer from 1 March 2019 and is now classified as an executive director.

Finally, we have appointed Sipho Pityana as an independent non-executive director of the Group effective from 1 May 2019 and he brings strong commercial, corporate, human resources, strategy and leadership skills to the table.

In conclusion

We remain determined to grow our top-line income and regain our market share as we execute our new strategy and effectively manage the Separation. To deliver on our commitments, we rely on the support and commitment of all our stakeholders. We thank our management and employees for their focus and delivery and our customers for their ongoing support and for entrusting us with their financial prosperity. Following another challenging year, I wish to thank my colleagues on the Board, Board committees and the boards of our subsidiaries.

Wendy Lucas-Bull
Group Chairman

Message from the **Executive Committee**

We have made a firm commitment to the African continent . . . to bring possibility to life. We are obsessed with the customer and our people are our strength.

Headline earnings rose **3%** to **R16.1bn**

Return on equity improved slightly to **16.8%** from **16.5%**

Revenue grew **4%** to **R75.7bn**

Operating expenses rose **5%** to **R43.6bn**

Dividend increased **4%** to **R11.10 per** share

In July 2018, the UK's Prudential Regulatory Authority communicated to us that, effective 30 June 2018, regulatory deconsolidation of Barclays and Absa had been achieved. To those unconnected to the rigorous process of getting to that pronouncement, this probably did not mean much, but to Absa it was significant.

From that point onwards we became a standalone organisation, free to pursue our own path and to grow according to our ambitions across Africa. With all the work that had been done in 2017 to prepare a forward-looking corporate strategy, our organisation was ready for it.

In March, we set out a growth ambition that we followed up with a new Group operating model and revised executive committee structure.

The proclamation of regulatory deconsolidation provided us with added impetus to pursue the commitments we had made for 2018. Importantly, we had to continue to run the Group, deliver to our customers and meet the guidance we provided to the market.

Our results were achieved in an increasingly challenging operating environment. South Africa, our largest market, barely escaped a sovereign credit rating downgrade and recession, while geopolitical developments continued to adversely affect global trading conditions.

The transformation of the business continued

When we launched our new strategy in March 2018, we promised a comprehensive reset of our business. A chief executive heads each of our core businesses (RBB South Africa, CIB, ARO and WIMI), and are accountable for strategic delivery.

We prioritised RBB, and completed a comprehensive review in June, followed by a new structure and Executive Committee. The new leadership conducted further bottom-up reviews, developed new strategies and agreed to new, ambitious targets for each of the business lines therein. By the end of the year, we had presented a comprehensive strategic review and targets to investors – clearly mapping the way we intend to meet our targets in the future.

Since we had advanced strategic reviews to reset all four core businesses, we were also able to publish medium-term financial targets for the Group. These are based on our current expectations for economic growth in South Africa and our Absa Regional Operations countries.

As part of our strategy emphasising growth and regaining leadership in our core businesses, we aim to:

1. Grow our revenue faster, on average, than the South African banking sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters;
2. Given this growth and continued cost management, we aim to consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021; and
3. We aim to achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

To meet these targets, we will continue to drive an ambitious transformation programme underpinned by a new, entrepreneurial culture throughout our organisation. The business operating models and governance frameworks, which we are now able to set afresh in line with our standalone status, are designed to bring our employees closer to our customers. Customer- related decision-making is being devolved to speed up service delivery but with the support of a robust Enterprise Risk Management Framework.

Leading digital innovations

Our ambition is to become a scalable and digitally-led bank. When we launched our new strategy for growth, we set out to become technology pioneers and be ahead of the tech curve.

For us, this means transforming our current business by making it more open and connected, improving our ways of working to become faster and more efficient, orientating for customer growth with digital, pre-emptive customer engagement and simpler, customised offerings and selectively pushing the innovation envelope.

There are already several proof-points where we are bringing this ambition to life. Our retail franchise has taken the lead in providing first-to-banking digital solutions for our customers.

We were first to launch ChatBanking on Facebook and we collaborated with one of the largest and most popular messaging platforms, WhatsApp, to launch ChatBanking on WhatsApp – the first bank in the world to offer this service.

We also launched Samsung Pay, an innovative payment system that allows customers to store their bank details on a Samsung smartphone and make payments at point of sale – a first in the South African market.

Because we aspire to become a banking group which Africa can be proud of, we are also mindful of our responsibility to serve our customers in the most remote areas in the continent. This is why we collaborated with retailers, post offices and similar organisations in Kenya, Tanzania and Uganda to meet the cash needs of our customers.

We have collaborated with fintechs and start-ups through our innovation hub, based in Cape Town, South Africa, giving them the support, resources and access to develop best-in-class technology solutions in Africa.

Continued delivery against new strategy

We have committed to grow faster than our peers in South Africa, beginning in 2019. We are pleased with the momentum that is building in retail lending, as well as the quality of new business, which bodes well for improved annuity business. RBB South Africa is progressing its restructuring, and will focus on building momentum towards its targets. It is a very significant and important component of our Group and we are pleased that we have completed its structural transformation. By the end of 2019, we will have completed the transformation of all core business and Group support functions in support of our strategy.

Cost management will remain a top priority. With the structural reset of the organisation due to be completed during 2019, we expect to see positive cost outcomes in future reporting periods. We continue to challenge ourselves to develop simpler, faster and nimbler structures that give us both agility and cost efficiency in all areas of our business.

Separation programme

By the end of 2018, we had successfully achieved Separation on 140 out of 266 projects, which is the halfway mark of our Separation work. ARO successfully migrated the core banking platforms from the United Kingdom to South Africa in April 2019.

Our Separation projects are interdependent, which means the timeous and efficient completion of each project is crucial for completing subsequent pieces of work. We have developed ways of managing challenges quickly and efficiently. These include a risk mitigation team as well as a function to focus on large and systemically important projects. We continue to assess our project status regularly and respond proactively to potential challenges. We remain confident that we can deliver Separation on time and within budget.

Conclusion

2018 was a defining year for the Absa Group. We announced a new strategy, and began the process to restructure and re-engineer our business, an effort that will continue into 2019.

In 2018, we also achieved regulatory deconsolidation and introduced a refreshed brand in South Africa.

We also began the work of embedding a new culture in our organisation, developing an understanding of engagement levels and putting strategies in place to make the experience of working for Absa enriching for each of our colleagues.

We know that the targets we have set for our business are ambitious and it will take a huge effort from every last one of our employees to achieve them, but the extent of the collaboration on this journey so far leaves us with little doubt that our employees are up to the task.

We are grateful to our Board for their continued support and guidance; we are thankful to all our colleagues for their consistent commitment to our customers and above all, we want to thank our customers for their ongoing business.

Arrie, August, Bobby, Bongiwe, Charles R, Charles W, Jason, Maria, Nomkhita, Paul, Peter and Yasmin[1]

[1] Maria retired on 28 February 2019, Yasmin took up a position in CIB and stepped down from the Executive Committee on 17 April 2019. Roze joined Executive Committee on that date.

A new brand and Values

In July, we were proud to introduce a refreshed Absa brand identity in South Africa, united under a single purpose – Bringing possibility to life. It repositioned Absa as a youthful, exuberant brand that resonates with Africa's young, energetic population.

Out of this process, we developed new Values that now underpin our culture change, our entrepreneurial spirit and the role we are going to play in society and the communities we serve in particular. Our new Values and supporting behaviours are:

We drive high performance to achieve sustainable results

- **We play to win and are accountable for results.**
- **We innovate, we are decisive and we act quickly.**
- **We learn from our failures, we are bold enough to change course.**

We are obsessed with the customer

- **We are curious, we anticipate the customer's needs.**
- **We take ownership of delivering the One Absa customer experience.**
- **We outperform by going beyond customer expectations.**

Our people are our strength

- **We integrate diverse perspectives to invent the future.**
- **We collaborate with courage, honesty and powerful energy.**
- **We trust, value and grow our people to achieve their full potential.**

We have an African Heartbeat

- **We deliver a uniquely Absa experience, across Africa.**
- **We co-create across Africa to deliver better solutions.**
- **We actively engage our communities to bring people's possibilities to life.**

These Values were a result of an extensive collaboration by colleagues across our business. As we roll out the change in the visual identity of the organisation across Africa during 2019 and 2020, these Values will inform the cultivation of a new ethos that underpins who we are and how our customers and stakeholders experience us in the future.

Message from the CEO

With major changes bedded down in 2018, including the launch of our new strategy and implementing our new operating model, the framework for our business has been reset.

2018 was almost unprecedented for Absa in the number and scale of changes that the Group went through. While there is more to do, I am encouraged by the pace at which we are advancing our key priorities.

2019 is pivotal and will determine how far we will go towards achieving our medium-term strategic ambitions and the targets we communicated in late 2018 (page 23). Fundamentally, it is about re-engineering our business, encouraging and maintaining the energy for change and achieving our goals.

As a member of the Board, I was, and still am, a strong supporter and believer in the new strategy that former CEO, Maria Ramos, defined together with the executive and broader leadership team.

Over 10 years, Maria guided the Group through several momentous and important milestones. Her stewardship has set us on a path where we can build a financial services group that Africa can be proud of.

The Executive Committee is fully empowered and fully accountable for the delivery of the strategy across the different businesses and support functions. Following Yasmin Masithela's move to Managing Executive Transactional Banking in CIB, Roze Phillips joins the Executive Committee to lead our people and culture change. Strategy execution moves to Group Finance under the leadership of Jason Quinn while Paul O'Flaherty assumes responsibility for digital within Engineering Services. We have a strong leadership team and they have my full backing and support. I am confident that this team will deliver against an ambitious growth agenda and lead the culture reset within our business.

Simply, the focus is regaining lost market share, retaining the trust and confidence of the customers we currently serve, and delighting them with new propositions. We will compete and win in all our chosen markets to achieve our ambition of growing revenue faster than our South African peers in the medium term. We are also focused on building momentum behind our digitisation initiatives. This is important not just for customer experience, but also for resetting our cost base and colleague experience. We have all the building blocks to deliver upon this – we have a strong balance sheet, a presence across 12 countries on a fast-growing continent and dedicated and passionate colleagues.

Having undergone a year of significant change, I am pleased that our employees understand our strategy, embrace it and are energised by it. 2019 is a critical year for the Group and I am personally committed to enabling both my executive team and all my colleagues across the continent as we work to meet our 2019 goals. The leadership team is committed to giving space to their entrepreneurial spirit, drive a relentless focus on our customers and to build capabilities that enable Absa to win well into the future.

René van Wyk
CEO

2019 priorities

To achieve sustained above-market growth, our immediate and highest priorities are to:

1. Regain franchise health in Retail and Business Banking South Africa and better serve customers across their life stages to retain them.
2. Deliver the Separation successfully in Absa Regional Operations and Corporate and Investment Bank Africa through the right prioritisation of the 2019 change project delivery.
3. Deepen our core Corporate and Investment Bank capabilities, coverage model and integrated transaction banking solutions across Africa.
4. Enhance digital customer enablement (full end-to-end self-service).
5. Drive an integrated bank assurance delivery model between WIMI and RBB to leverage the capabilities and resources of the Bank to deliver efficiencies.
6. Embed a new target culture focused on strategy execution.

Transformation through the Separation

The Separation has been the catalyst for a significant strategic and cultural reset of our organisation and is progressing well.

March	April	May	June	July	September	October	December
Announced our high-level growth strategy.	Reorganisation announced to align the organisation to the new growth strategy.	Shareholders approve the name change. Culture change programme.	Achieved regulatory deconsolidation from Barclays.	Barclays Africa renamed Absa Group Limited. Refreshed of the Absa brand in South Africa.	Opened our London office while continuing to pursue a New York presence.	Board considered the detailed strategy for RBB SA.	Board considered the detailed strategies for CIB, ARO and WIMI.

Over 2016 and 2017, Barclays reduced its shareholding in Absa from 62.3% to 14.9%. The Separation has been the catalyst for a significant strategic and cultural reset of our organisation which includes the transition of services (including technology services) previously provided by Barclays and the brand change. A comprehensive programme is delivering the replacement of systems and capabilities to successfully separate a combination of standard lift-and-drop solutions, noteworthy systems refresh, and some substantial transformation for example the implementation of Workday (a unified human resource management solution for the Group).

Critical to the change process are the ongoing engagements with our regulators. Given the size and complexity, the programme is run by an experienced and dedicated team within a robust risk management framework that is overseen by a sound governance structure, including a dedicated Board committee.

Separation Oversight Committee review page 84

We have split the 198 services from Barclays into 266 projects, of which 24 are platinum projects (the most complex and interdependent). At the end of 2018, 103 services contracted with Barclays had been terminated and we delivered 140 projects, including five platinum. The majority of work remains on track and, as with any programme of this size, there has been slippage but we have worked hard to get back on track.

Resources who supported business-critical Absa Regional Operations applications from the Barclays Technology Centre in India have been successfully transferred to our selected third party, and continue to provide these services under a separate contract. We aim to localise resources from India to South Africa over five years, with half of them by 2021.

2019 is critical, with 12 platinum projects to be delivered. One of the most significant technical projects – the migration of core banking applications of Absa Regional Operations' entities from the United Kingdom to South Africa was successfully executed in April 2019, removing existing complexities and improving overall customer experience. We will also replace our core financial crime systems with an integrated and analytically advanced system that has substantially improved functionality.

In addition to Separation, the programme is consolidating and digitising core technology services. In most instances, we are implementing the same solutions with more recent versions, providing opportunity to improve our current state. Solutions include delivering a consolidated offering for pan-African payments and consolidating all Absa Regional Operations card-related systems.

The brand change is one of unprecedented scale and includes digital platforms, forms, marketing and business collateral, corporate and retail premises, ATMs and point of sale devices. The rebranding in South Africa is progressing well, the majority of which is to be completed in the first half of 2019. We have made good progress on the work to rebrand our Barclays branded subsidiaries to Absa by June 2020, and products and services in those markets will not be affected by the name change.

Going forward, the Separation office is transitioning into a Group change function that will leverage the learnings and capabilities from the Separation, to make Absa an effective, change-driven organisation.

Delivering the strategy and value drivers

The Group has an extensive number of governance and compliance activities which protect and enhance value creation. We outline a summary of management activities and Board deliberations for 2018 against a series of priority objectives that focus on the new Group strategy, the Separation and the impact of these in the context of value creation.

Priority	Management activities and Board deliberations
1 Oversee management's delivery of the approved growth strategy into detailed execution plans. **Self-assessment outcome: Substantial achievement**	• Engaged management on the execution of the Group strategy with an immediate focus on six core initiatives: Separation, brand, digital, employees, Retail and Business Banking and Wealth, Investment Management and Insurance. • Focused on Retail and Business Banking and the restructuring required; the risk appetite approach and the investment spend needed. We considered, in particular, the vehicle and asset finance business, the impairments and our collections ability, the dealer approach, and returns given the inherent costs and competition. • Assessed the execution plans for customer-facing businesses through strategy sessions, considered the risks and opportunities (within the risk appetite setting and approval process) and approved associated medium-term financial, capital and funding plans. • Deliberated our micro-lending approach in Absa Regional Operations, including new joint ventures, the associated inherent risks and potential returns balanced against conduct risks while ensuring the fair treatment of customers. • Approved a new remuneration philosophy, principles and the metrics and targets for the 2018 short-term and 2019 long-term incentives.
2 Monitor and assess the business-as-usual execution in the context of significant change and the new strategy. **Self-assessment outcome: Full achievement**	• Monitored business performance, including key focus areas, significant variances to key measures, and the macro and environmental factors from the operating environment and their potential to influence the Group's sustainable performance. • Maintained a customer focus by regularly reviewing the operating environment including competitor strategies and performance metrics, and adjusting our activities taking into account market developments. • Closely monitored the control environment across operational risk, compliance, internal audit and external audit covering both business-as-usual and Separation activities, while remaining mindful of the effect of Separation. Conduct and reputation matters were deliberated by the Directors' Affairs and Social and Ethics committees. • Considered the Group's risk profile and outlook, including internal and external key risk themes, performance against risk appetite (under and over-utilisation), triggers, performance against key metrics (earnings at risk, return on equity and profit after regulatory capital charge). A focus was on managing credit risk relating to South African state owned entities and high-profile customers.
3 Oversee system stability while the Group manages change and transforms the technology landscape, taking into account both the Separation and the growth strategy. **Self-assessment outcome: Full achievement**	• Considered updates on the stability of services, including the impacts on customer and employees, resilience and technical trends for South Africa and Absa Regional Operations. • Assessed the control environment across the technology estate, specifically converged security, information risks, technology people risks (employee resiliency and well-being) and technology risks. Disaster recovery in Absa Regional Operations remains a challenge and is a specific focus area for in-country regulators. • Considered management's digital transformation, including the Group-level digital priorities and measures to track the digital progress, as well as certain bespoke digital innovations for an improved customer experience. • Reviewed updates to the technology strategy, including the people agenda, Separation impact and finances (spend against budget, investment spend and related cost to achieve).

Priority	Management activities and Board deliberations
4 Oversee and assess how we are transforming our business in the areas of growth (top-line and returns), building a scalable, digitally-led business, and playing a role in shaping society. **Self-assessment outcome: Substantial achievement**	• Focused on top-line growth, particularly strategies in Retail and Business Banking South Africa to strengthen deposits to support our advances growth and to improve customer retention through better service and more competitive product options. Opened our UK securities subsidiary, with an approved plan for a US presence to support our corporate customers. • Focused on market share growth within the approved risk appetite and with appropriate returns in all businesses. • Engaged management on the role in society agenda, while continuing to invest in education (bursaries, scholarships and learnerships); the Johannesburg city centre through a new multi-use building; and in defining a strategic focus on the knowledge economy and transformative education.
5 People and culture – Monitor and assess our progress with respect to diversity and the renewed culture, as an enabler of the new strategy. **Self-assessment outcome: Full achievement**	• Monitored organisational health indicators (headcount and retention; diversity and inclusion; training spend; talent acquisition; employee relations) while focusing on transformation and our progress against Financial Sector Charter and Employment Equity targets where some improvement has been achieved but more work is still required. • Engaged on employee engagement results (measured by a Gallup survey) which evidenced significant increase in participation, with some improvement in the overall engagement rate and the significant work still to be done on culture transformation. • Tracked conduct indicators, including grievances, disciplinary cases, Treating Customers Fairly surveys, and complaints resolved on first point of contact. Focus was placed on Banking Ombudsman cases, many of which are linked to digital fraud, and management's actions including steps to decrease customers' risk was monitored. • Deliberated the new people and culture transformation strategy and approved the aspirational culture and Values. • Monitored the programme implementation of Workday, a single integrated digital platform encompassing all core human resource functions to be delivered to our presence countries, ending with South Africa in the fourth quarter of 2019.
6 Oversee the execution of the Separation programme. **Self-assessment outcome: Full achievement**	• Considered feedback from the Africa Supervisory (Regulatory) College meetings hosted by the South African Prudential Authority in March and September 2018. • Monitored and challenged the overall programme execution against approved performance metrics, key milestones as well as spend versus programme budget. • Engaged with management on critical projects, for example Workday and the Absa Regional Operations core banking project (the latter was implemented in April 2019). • Deliberated assurance reports from internal audit, external audit and PwC (including a PwC risk tolerance assessment).

2019 Board objectives

- Oversee the progress in the execution of the approved medium-term plan.
- Oversee the technology change that is taking place in the Group, with a view to ensuring an optimised customer experience and sustainable benefits realisation.
- Monitor and assess our progress with respect to diversity, the renewed values, and the culture.
- Oversee the execution of the Separation programme in regard to its impact.
- Monitor the Group's activities that contribute to shaping society.

Value creation
stakeholder scorecard

We ensure a balanced review of our performance by tracking progress through, among others, internal dashboards, regular management reporting and external measures.

	What do we consider as success	Indicator	2018	2017	Trend	Assurance type
Customers	Innovative products and services that meet customers' needs, earning trust through excellent customer service and advice so that they ultimately recommend us to others.	Treating Customers Fairly outcome score	60%	61%	↓	LA
		Relationship Net Promoter Score®	34%	27%	↑	LA
		Brand value ranking in South Africa (Brand Finance)	4th	6th	↑	EXT
Employees	Engaged and enabled employees who are part of a diverse and inclusive workplace in which employees are treated equally and have the opportunity to achieve their potential.	Employee engagement (Gallup survey)	27%	23%	↑	EXT
		Retention of high performing employees	93.8%	95.4%	↓	LA
		Permanent employee turnover rate	9.1%	8.9%	↑	LA
		Women in senior management	34.9%	34.1%	↑	LA
		Senior Black management (South Africa)	49.3%	44.3%	↑	V
		Training spend	R426m	R487m	↓	MBO
		Total headcount broken down by:			↓	LA
		• Permanent	39 413	39 988		
		• Temporary	1 443	1 715		
		• Female	24 952	25 473		
		• Male	15 904	16 230		
Society	Through our shaping role in society we seek to contribute to securing a prosperous future for our customers, our employees and the communities we operate in.	Disbursements towards education and skills development	R266m	R299m	↓	LA
		Number of Equator Principle transactions	13	2	↑	LA
		Total energy use	338 125 499 kWh	329 302 208 kWh[2]	↑	LA
	Proactive management of the environmental and societal impacts of our business.	Carbon emissions	296 468 tonnes CO_2e	305 100 tonnes CO_2e[2]	↓	LA
		Local procurement as a percentage of total (South Africa)	76.0%	88.9%	↓	V
Regulators	A business responsive to regulatory change and the resulting impacts.	Employees completing Conduct Risk College Foundation training	99.9%	98.8%	↑	LA
		Employees completing a code of conduct attestation	99.9%	99.4%	↑	LA
	A positive conduct and values-based environment.	Employees completing Fighting Financial Crime training	98.2%	98.6%	↓	LA
Investors	Achieving financial targets timeously, generating sustainable returns for our shareholders and managing the Separation.	Revenue growth[1]	4%	1%	↑	MBO
		Return on equity[1]	16.8%	16.5%	↑	MBO
		Common equity tier 1 ratio[1]	12.0%	12.1%	↓	MBO
		Cost-to-income ratio[1]	57.7%	56.7%	↑	MBO
		Dividend cover[1]	1.7	1.7	—	MBO
		Dividend yield[1]	7%	6%	↑	MBO
		B-BBEE level (South Africa)	Level 2	Level 2	—	V

[1] Normalised
[2] Restated due to more accurate emission factors being used.

MBO – Management and Board oversight
LA – Limited assurance
V – B-BBEE verified
EXT – external source

Contributing to the United Nations Sustainable Development Goals

By providing financial services:

- to individuals, we enable them to enhance their financial stability and quality of life;
- to businesses, we contribute to economic growth, job creation and access to capital markets; and
- to sovereigns we contribute to the funding opportunities and operations of the country.

By conserving natural resources and driving diversity, financial inclusion, education, and enterprise development, we contribute to the societies and natural environment in which we operate. Our sustainability, and that of the communities around us, depends on our ability to effectively use and manage the resources in our value chain.

The United Nations Sustainable Development Goals (SDGs) are 17 global sustainable development priorities and aspirations agreed by member countries (including South Africa) at the United Nations in 2015, and were developed with input from business, civil society and other stakeholders.

We believe we deliver positive impacts by:

- developing accessible products and services, reducing barriers and driving innovation to achieve wider financial inclusion;
- providing financing solutions including those to address environmental and social challenges;
- supporting the transition to a more sustainable economy and managing our impacts on the environment;
- supporting entrepreneurs with financial services and procurement opportunities in order to drive economic growth and job creation;
- helping people gain access to quality education as well as skills development through employability initiatives;
- contributing to the stability of the financial services system though sound governance, ethical conduct, fraud and data security and the prevention of money laundering and terrorism financing;
- providing employment free from discrimination underpinned by fair labour practices and employee wellbeing; and
- delivering on diversity goals across race and gender.

Where relevant, we will pursue these activities in partnership with other stakeholders.

In the stakeholder scorecard section, we provide reference to the specific Sustainable Development Goals where we create value. These links have been determined by an analysis of the underlying 169 targets.

○ Areas where Absa currently creates value. The inner circle represents operational impacts while the outer circle represents customer and societal impacts.

Customers

To remain relevant, we offer innovative and cost-effective products and solutions. Customers provide not only revenue but are our main source of deposits that enable our lending activities.

Key concerns and expectations

- Access to cost-effective, simple and convenient financial services.
- Financial inclusion through products, increased access points (physical and digital) and markets.
- System reliability and availability to transact on their chosen platform.
- Service levels and efficient resolution of service failures (complaints).
- Protection against fraud, and safety of personal data (customer privacy and data security).

Our material focus areas

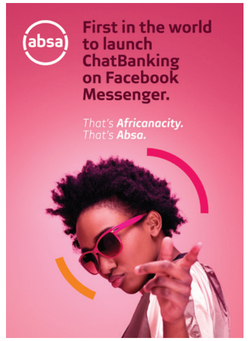
1. Understanding customer needs and delivering safe, cost-effective, reliable and convenient solutions.
2. Delivering enhanced customer experiences.
3. Effective management of information and technology.
4. Ensuring trust and safety.

SDG impacts

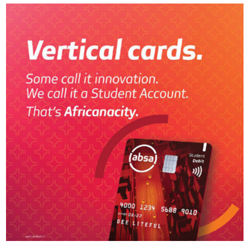
1 Understanding customer needs and delivering safe, cost-effective, reliable and convenient solutions.

We provide services to our customers through a multi-channel approach, providing a choice of platforms from digital solutions to call centres and face-to-face engagements in branches to customer suites with relationship managers. Our digital, design and data capabilities are essential for responding to our customers' needs, enhancing their experience and reducing their dependency on physical branches.

Multi-functional, multi-language ATMs include bill payments, cardless withdrawals and the facility for customers to save their favourite transactions.
Absa Value Bundles are simple, transparent bundle transactions offering value added services, including funeral cover.
Absa Transact is a simple, lowest-cost bank account.
Absa Rewards offers cash back and bonuses, based on a customers' product portfolio and the manner in which they transact.
Absa Premium Banking provides a single card for all banking with free online and mobile banking and easy access to wealth advisory, family, lifestyle and travel benefits.
MegaU Youth Account includes an interactive app that makes banking rewarding and educational for children.
Absa app is a full-service banking app which includes home loans, foreign exchange and vehicle finance and account opening for new-to-bank customers.
CashSend allows cash remittance from our ATMs without a bank card and via a mobile phone.
Virtual Pay is a cardless payment solution for a single business account which allows businesses to monitor and control expenses by integrating with most procurement systems and travel booking tools.
Virtual Investor tool is a platform for Absa and non-Absa customers to buy unit trusts online.
Workplace Banking offers our wholesale customers banking, insurance and financial wellness education on-site, strengthening the customers' employee value proposition.
Chatbanking was first on WhatsApp, Twitter and Facebook and the first to launch **Samsung Pay** in South Africa.
WIMI One View provides a single view of the customer, which improves data insights and our ability to serve customers better.
Hello Money provides mobile phone banking in Absa Regional Operations with online and ATM bill payments.
Prepaid cards, a cash management solution which enables customers to distribute cards to individuals who can spend funds locally or internationally.
Partnerships across Absa Regional Operations with various telecommunications providers deliver mobile payment solutions, in some instances for those without bank accounts.
Agency banking allows customers to perform basic transactions such as bill payments, balance inquiries as well as card and cardless cash deposits and withdrawals at third-party outlets.
Solutions such as **Asorbia** (fintech church app) and **Atlas** (savings based digital wallet) in Ghana, and **Prepaid Vivo Energy EasyGo** card (budgeting, tracking and rewards) in Tanzania extending financial access further.
Financial Markets Index, ranks the maturity, openness and accessibility of 17 financial markets in Africa for consideration in business decisions.
Timiza, Kenya's first digital banking platform, offering loans, bill payments, airtime, insurance, foreign exchange and other transactional capabilities via mobile phone.
Shari'ah compliant Islamic banking for those seeking a different approach to financial services.
A partnership with **Société Générale** extends our corporate banking offering regionally and internationally.



Chatbanking first on WhatsApp, Twitter and Facebook and the first to launch Samsung Pay in South Africa.



2 Delivering enhanced customer experiences.

We are on a journey to a more holistic approach towards customer health by integrating into a single approach all the elements of customer complaints management, customer service and experience measurement and other drivers of customer experience and health.

Across the Group, focus has been on creating focused customer value propositions, the enhancement of key customer processes, system stability, strengthening relationships with customers as well as sharpening knowledge of key sectors and of our competitors.

To deliver secure, convenient access and a great customer experience, we take the following into account:

- Strong customer relationships are essential for growth.
- Achieving great customer experience is increasingly complex.
- The competitive landscape is increasingly crowded with new entrants who may be more agile in attending to changing needs.
- Linking customer experience insights (complaints, voice of customer, voice of employees).

The issue of digital fraud is a pressing one and while fraud is an industry issue in South Africa, Absa has a high number of cases referred to the Ombudsman for Banking Services. In conjunction with increased fraud awareness messages across multiple platforms and increased security measures, additional attention is given to the customer experience with the implementation of revised fraud handling processes and improved turnaround times so to minimise customer detriment, and address this issue directly.

3 Effective management of information and technology.

Our data strategy is aimed at better understanding our customers to be able to offer them the right products and service within their affordability. This is being delivered by:

- Transforming and modernising our applications and innovating ways to deploy our technology infrastructure.
- Building advanced data solutions that will provide us with deeper insights and improve customer experience.
- Making financial services safer through significant investments in leading edge cyber capabilities.
- Leveraging strategic partnerships and collaborating with fintechs to drive innovation and increase market share.

Cloud services are faster, more versatile and have reduced support overheads. Hyper-converged technologies make our technology infrastructure more reliable, agile and scalable.

Robotics and artificial intelligence improve turnaround times and customer experience.

Resilience policies, procedures and training reduce the recovery time after an incident.

Data management capability enhances customer insights, improves delivery, facilitates high-quality regulatory reporting and delivers operational efficiencies.

Data and analytics capabilities improve risk management, using models to detect, predict and prevent financial crime. Innovations such as facial recognition assist in fraud detection.

Converged cyber security enables a unified view of the risks/threat landscape (physical or virtual) allowing for an integrated response to address risk at its source.

Our holistic security strategy uses local and global alliances to continuously share threat intelligence and best practices for detection and prevention. Because of these alliances, we proactively prevent customer and Group losses.

4 Ensuring trust and safety.

The financial services industry relies on trust, and good conduct is based on our daily behaviours, exhibited in our individual and collective actions and decisions. Our code of conduct fosters values-based decision-making and showing how our policies and practices align with our Values.

Privacy is one of the foundations of our relationships with our customers and employees. Our data privacy policy ensures we collect, transfer and store electronic and hard copy personal data appropriately and protects against the misuse or abuse of information.

Financial crime risks include ATM and branch security, card fraud, and online/digital security risks. Threats from crime syndicates and cyber attackers grow exponentially and we invest in protecting our customers and the Group.

We have protective measures such as two-factor authentication (2FA) and device authentication. 2FA is a second layer of security, enabling customers to verify certain higher risk transactions on our online and mobile banking channels without relying on their SIM card. This prevent fraudsters from intercepting verification messages to customers' SIM cards which is an often-exploited vulnerability. Verification messages are sent directly to the Absa app.

We remain concerned about debit order abuse and we continue to improve our controls relating to non-authenticated early debit orders.

Awareness and training.

To protect customers, their awareness is the key to avoid being a victim of fraud.

To safeguard our customers, employees and the Group, we issue regular communications regarding financial crime with topics including avoiding phishing attacks, online shopping and travel tips, card and app safety. Employees undertake mandatory annual training covering a range of topics including anti-money laundering, data privacy protection and anti-bribery and corruption.

Your rights are our first priority

We adhere strictly to the Code of Banking Practice and cooperate fully with Ombudsman of Banking Services.

Employees

Capable and engaged employees with access to value-creating customer solutions will drive our commercial success and advance our reputation. Creating a culture that inspires entrepreneurship and innovation is critical to the implementation of our strategy.

Key concerns and expectations

- Job security and change management through the Separation.
- Fair pay and terms of employment, and market-related reward and benefits.
- Leadership continuity and managerial depth.
- Diversity and transformation.
- Training of employees for a digital future.
- Talent attraction, development and retention of critical skills.
- Productivity through an agile culture.
- Development of our brand to become an employer of choice.

Our material focus areas

1. Creating an entrepreneurial and innovative culture.
2. Attracting and retaining quality employees.
3. Accelerating diversity.
4. Distinctive development opportunities.
5. Ethical business conduct.

SDG impacts

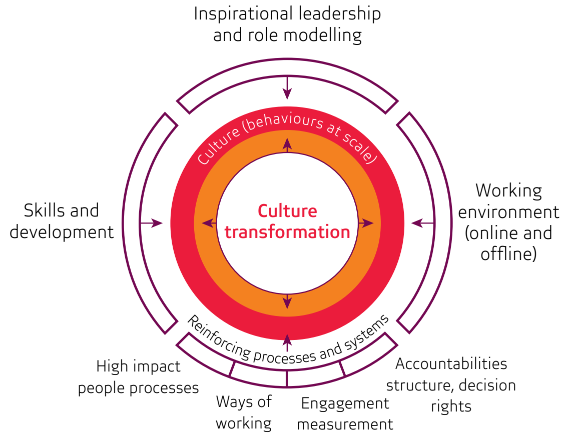
1 Creating an entrepreneurial and innovative culture.

The correct culture is a key strategic enabler and our target culture is one that enables faster decision-making; is aligned and engaged at every level; is piloted by leaders who inspire the whole organisation to action with speed, boldness and focus, giving our people an emotional sense of belonging and commitment.

Our cultural journey has involved intense engagement with employees from brand immersion sessions with all employees and Umoja (unity) sessions where employees gave input to our Values (page 24) and target culture.

Our target culture is focused on the belief that Absa can be a force for good. We are committed to results and will learn by doing, taking decisions quickly and adjusting as required. We are committed to our employees and the customer is our obsession. We will be bold and agile. We are committed to Africa and the communities we serve. We believe in our energy and potential and wish to be a positive catalyst.

A holistic culture transformation framework, including new ways of working, redefined processes, new skills requirements and new leadership behaviours will deliver the desired culture shift.



2 Attracting and retaining quality employees.

Our improving employer brand and the distinct opportunities we offer underpin our ability to attract top employees.

We have 40 856 employees (2017: 41 703) of which 39 413 are permanent (2017: 39 988).

We filled 5 622 vacancies (2017: 7 376), in an average time to hire of 33 days (2017: 35 days). 60% of our vacancies were filled by existing employees (2017: 59%) of which 37% were promotions (2017: 49%) reflecting the strength of our internal talent pipeline.

Our employee turnover rate was 9.1% (2017: 8.9%) with voluntary attrition 6.1% (2017: 6.4%) and we retained 93.8% of high performers (2017: 95.4%).

Employee engagement is key to our employee retention with our 2018 Gallup survey showing improvement in the majority of areas.

- 79% participation rate.
- 27% active engagement (2017: 23%).
- Know the purpose and mission of the organisation.
- Greater understanding of what is expected of them.
- Opportunities for growth and personal learning for employees.

3 Accelerating diversity.

A diverse workforce broadens perspectives and enhances performance. Diversity includes gender, race, age, disability, experience, religion, values and beliefs and sexual orientation. Gender parity is a global issue, while race is a focus in South Africa.

In terms of gender:

- 61.1% of employees are women (2017: 61.4%).
- 33.0% of our Executive Committee were women as at 31 December. This has since reduced to 25% following the retirement of Maria Ramos (2017: 36.4%).
- 34.9% of senior leadership are women (2017: 34.1%).
- 60.8% of promotions were women (2017: 59.0%).

We support workplace needs, including specialised facilities and technology for employees living with disabilities. 0.4% of our workforce have self-declared disabilities.

We have multiple networks that provide employees with support: Reach (disability), Spectrum (lesbian, gay, bisexual and transgender, intersex (LGBTi) and in South Africa, transformation committees.

In terms of age, 17.6% of our employees are younger than 30 years; 70.4% between 30 and 50 years old and 12.0% are over 50.

B-BBEE progress in South Africa

- 74.0% of employees in South Africa are Black (2017: 71.9%).
- 33% of our executive directors (2017: 25%) and 50% of other executive management (2017: 50%) are Black.
- 49.3% of senior management are Black (2017: 44.3%).
- 86.8% of promotions were Black (2017: 80.8%) and 95.0% of external hires were Black (2017: 90.1%).
- 2 072 learnerships were provided to Black people, of which 1 424 were employed by Absa and 648 were unemployed people.

4 Distinctive development opportunities.

Our fresh approach to talent and development opportunities is being developed. This is encompassing a refresh curriculum, delivery platforms and recognition to drive achievement of the Group strategy.

We invested R426m in direct training costs (2017: R487m) and employees can access a catalogue of 7 710 different learning programmes (2017: 3 847). We have a number of specialised academies for key skills, including finance, risk, technology and information security, compliance and internal audit. Highlights include the following:

- We launched in 2018, our Africa Converged Security Academy with Rhodes University enrolled 40 candidates specialising in information security.
- 477 employees graduated from our Compliance Career Academy run in partnership with Duke Corporate Education and the University of Cape Town (2017: 190).
- Our Digital Academy internship hosted 36 interns (2017: 38), of whom 11 have taken up permanent employment and 21 are external contractors. A further 59 interns are completing a specialised system developer qualification.

We continue to collaborate with BankSeta on the Africa Expansion Programme to develop leaders across Africa.

135 graduates from across the continent participated in our 2018 Rising Eagles Programme (2017: 85). They join over 1 078 young professionals who have started their careers with the Group since the programme's inception in 2008. We hosted 2 284 learnerships and internships in total in South Africa (2017: 2 214).

106 employees were on an intra-Africa assignment (2017: 117). 49% were from South Africa and went to Absa Regional Operations, 36% from Absa Regional Operations came to South Africa and 15% moved between Absa Regional Operations countries. Barclays assignees are down to seven from 25.

5 Ethical business conduct.

The financial services industry relies on trust, and good conduct is based on our daily behaviours, exhibited in our individual and collective actions and decisions. We recognise the systemic importance of the financial services sector, and the need for our employees to aspire to the highest standards of culture and conduct.

We have a comprehensive approach that educates and empowers all employees in terms of their rights and responsibilities, defines the behaviours we reward and the behaviours we discourage. Our code of conduct guides our interactions with stakeholders across the business. All of which contributes to a culture of trust.

Performance management and reward decisions emphasise behaviour and commercial objectives, encouraging the appropriate conduct, and making the consequences of misconduct clear.

Our training and awareness programmes, underpinned by clear policies, ensures that our employees:

- Are aware of the Values and behaviours expected of them.
- Develop a sensitivity to situations of real or perceived conflict of interest and learn how to deal with them when they arise.
- Put Treating Customers Fairly at the forefront of what we do.
- Are aware of the tools available to them to raise their concerns of unethical behaviour or suspected fraud through our whistleblowing programme.

Misconduct matters were 5.2% of headcount (2017: 5.4%) with a small percentage of these related to matters such as dishonesty/misrepresentation and resulted in dismissal. Misconduct matters excludes theft and fraud as these are not dealt with through the internal disciplinary process.

Grievances were 2.0% of headcount (2017: 1.1%) and are mostly due to dissatisfaction with annual performance ratings.

Society

Our success is interlinked with the wellbeing of the societies in which we operate. We aim to amplify the positive impact of the Group by contributing to solutions that address a number of socio-economic and environmental challenges.

Key concerns and expectations

- Addressing societal challenges, such as access to financial services, education, employment opportunities and economic growth.
- Funding for strategic partnerships in community development and entrepreneurship development.
- Managing environmental and social impacts of our lending practices.
- Managing our environmental footprint.

Our material focus areas

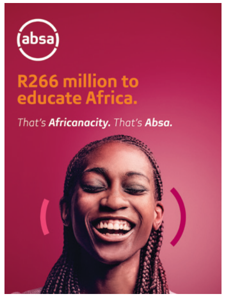
1. Supporting the education ecosystem holistically.
2. Supporting initiatives that drive entrepreneurship and socioeconomic growth.
3. Improving access to financial services.
4. Environmental stewardship in our operations and lending.

SDG impacts

1 Supporting the education ecosystem holistically.

We achieve this by providing:

- financial support to individuals pursuing tertiary studies;
- strategic funding, training and infrastructure support to educational institutions and government agencies; and
- workplace exposure, job-shadowing and job placements.



We invested R266m in education disbursements (2017: R261m) of which R181m was invested in scholarships to 4 142 students across 100 universities in Africa (2017: R154m; 3 568; 21).

Our technical and vocational education training (TVET) college programme reached 50 TVETs, with 1 112 students completing their workplace exposure with Absa (2017: 36; 1 236).

We trained a further 2 107 governing body members from 656 schools in South Africa in financial management and governance (2017: 2 636; 669).

9 298 young people in South Africa and 4 223 in Absa Regional markets received work exposure, internships or placement opportunities.

ReadyToWork, our free e-learning platform, provides four soft skills modules – work, money, people and entrepreneurship – to improve employment or self-employment prospects for job seekers. We focused on the placement component of the programme, with young people receiving work exposure, internships or placement opportunities through our employability partnerships (South Africa: Afrika Tikkun, Catalyx, Lulaway, GoodWork Foundation and Columbia Leadership Academy; Absa Regional Operations: universities, non-profit organisations and trade associations).

2 Supporting initiatives that drive entrepreneurship and socio-economic growth.

To encourage socio-economic growth, we:

- support small and medium enterprises (SMEs) by making procurement opportunities available;
- provide training and business development support to suppliers and entrepreneurs; and
- provide access to finance.

Successful, competitive, and sustainable entrepreneurs need access to business skills, information, networks and markets. Over 9 550 SMEs and aspiring entrepreneurs benefited from one or more business development support interventions. These include training activities, strategic events, partnerships with non-profits, global development organisations, government and access to corporate customers and their value chains.

We have a number of high-impact, high-value business solutions which are tailored to each entity such as the Absa Enterprise Development Programme and the Absa Accelerator. The Accelerator is a four-month programme for Absa-banked SMEs (with a turnover between R0.5m and R1m) and incubated 974 SMEs. An additional 550 Absa-banked businesses that generate turnover above R1m participated in the six-month one-on-one mentorship and coaching programme.

Our structured approach to value chain financing blends our commercial funding with more affordable funds and/or guarantees from third parties to provide more affordable financing rates for emerging businesses that would not otherwise qualify for traditional finance.

We provided R156m in supplier development contributions for SMEs in our supply chain (2017: R108m) of which R88.3m was lending at preferential rates including zero-rated loans (2017: R89m). We lent R371m in development funds to SMEs in corporate value chains across our African markets (2017: R107.4m).

In Ghana, 748 SMEs and aspiring entrepreneurs were upskilled in partnership with the British Council through customised trade and forex clinics conducted by RBB.

In Tanzania, 612 SMEs were trained in partnership with the Tanzania Revenue Authority, the Tanzania Investment Centre and the Tanzania Chamber of Commerce, Industries and Agriculture.

In Zambia, 78 SMEs were trained in partnership with the Zambia Development Agency.

In Botswana, 210 SMEs and young farmers were upskilled with business training. This included 45 who were supported via EntBanc MySME Toolbox (an online business planner that helps start-up and existing entrepreneurs to create their own business. It includes samples and templates, business planning resources and 'how-to' articles).

B-BBEE progress in South Africa

We are increasing our spend with accredited Black-owned and Black women-owned suppliers in our focus areas, being corporate support services, technology, banking operations and professional services, through supplier development initiatives. These initiatives increase Black SMEs' capacity and their ability to meet our needs. We divide contracts into smaller pieces of work and include small suppliers in our database to develop qualifying small enterprises and exempted micro enterprises.

- R18.4bn total weighted spend with 2 244 B-BBEE-accredited suppliers (2017: R17.9bn; 2 347)
- 1 747 exempted micro-enterprises and qualifying small enterprises were supported with R2.9bn procurement spend (2017: R2.9bn; 1747)
- R8.6bn total weighted spend with 50% Black-owned suppliers (2017: R6.5bn)
- R6.4bn total weighted spend with 30% Black women-owned suppliers (2017: R5.5bn)

3 Improving access to financial services.

We contribute to a more inclusive economy and the financial wellness of our communities by developing affordable needs-based financial products and innovative convenient delivery channels, supported by consumer education and financial literacy training. We aim to use various communication channels to educate customers on managing the costs of everyday banking products.

A range of products serves the needs of the entry market, and we have sought ways to better meet customer needs and increase accessibility, such as Group Savings and PEP Money (South Africa), Atlas (Ghana) and Motshelo (Botswana).

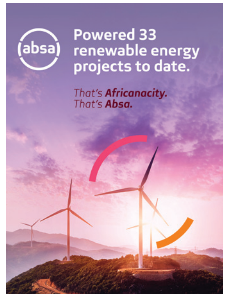
Affordable housing home loans reach single or joint households earning less than R23 300 per month. We made R1 140m available to 3 519 customers. This approach includes loans through a government-led, finance linked, individual subsidy programme for individuals earning less than R22 000. We also provided 47 150 customers with R1 697m of micro and personal loans for building. 4 308 customers benefited from our borrower education programme covering key aspects of home ownership, home maintenance and personal financial matters.

In support of the South African government's affordable housing development projects, we increased our loans to R12.8bn (2017: R11.6bn).

Our consumer financial education interventions empower individuals to make informed choices and improve their lives through responsible personal financial management. 100 746 South African beneficiaries received consumer financial education (2017: 76 917). Financial literacy training was provided to 7 168 individuals across Absa Regional Operations.

Customers page 31.

4 Environmental stewardship in our operations and lending.



Our environmental impacts are (i) indirect via our lending and investment practices; and (ii) in managing our direct environmental footprint.

As signatories to the Equator Principles, we expect project sponsors of large corporate deals to undertake environmentally and socially responsible developments.

A total of 13 Equator Principle projects reached financial close in 2018, of which 12 were project finance related (2017: 0) and 1 was a project-related corporate loan (2017: 2). Environmental and social risk guidance was provided on a further 103 transactions (2017: 98).

South Africa is the continent's largest renewable energy market. To date, the Department of Energy has approved 92 long-term projects, with a total capacity of 6 322MW, under the South African Renewable Energy Independent Power Producer Programme. We closed debt financing of R22bn for 12 renewable energy projects as part of the latest bidding round. In total, we have financed 33 long-term projects with a combined value of R80bn and 2 916MW across solar photovoltaic, wind, concentrated solar technologies and biomass.

In terms of our operations, we strive to reduce our natural resource consumption and pollution. Total energy consumption increased by 2.7% (2017: 8.6% reduction), and carbon emissions decreased 2.8% (2017: 0.5% increase). In South Africa, we have Green star ratings for five buildings; we maintain 1.4MW of solar photovoltaics and saved 42m litres of water (2017: 14.0m).

In 2018, we launched our #BeatPlasticPollution campaign by piloting the replacement of single-use plastic with biodegradable materials in four large offices in South Africa for three months. Following on the success of the pilot, single-use plastic will be replaced with biodegradable material in our main campuses housing more than 22 000 employees.

Regulators

Regulators and governments provide the legal and regulatory frameworks that guide the way we do business. Industry bodies (and organised business interest groups) are an important channel through which we engage with regulators and government.

Key concerns and expectations

- Compliance with all relevant laws and regulations.
- Financial system stability spanning financial soundness to fair treatment of consumers.
- Contribution to government development plans and national priorities (such as job creation) and to the fiscus through fair tax payments.
- Ethical work environment.

Our material focus areas

1. Complying with all laws and regulatory requirements.
2. Supporting consumer protection and preventing financial crimes.
3. Driving an ethical culture.

SDG impacts

1 Complying with all laws and regulatory requirements.

Laws, regulations and codes define how we conduct business. These cover many aspects within our business, from Know Your Customer requirements to the protection and processing of information, through to how we design and sell our products and services.

Regulations continue to evolve and, while this places additional requirements on the Group, we support efforts to ensure a stable financial services sector and a safe and fair operating environment. We seek to balance the requirements and the cost of compliance to minimise the impact on customers and on shareholder returns.

In South Africa, we are primarily regulated by the Prudential Authority within the South African Reserve Bank (stability of the financial system), the Financial Sector Conduct Authority (overall market conduct), the Financial Services Board (non-banking financial services, including insurance and investments), and the National Credit Regulator (consumer credit). Ancillary regulators include the Competition Commission of South Africa, the Financial Intelligence Centre, National Consumer Commission, South African Revenue Service and the JSE.

In Absa Regional Operations, we are primarily supervised and regulated by the central banks and, in some instances, also by financial market authorities.

Effective compliance with local and international banking regulations is critical for a competitive and sound banking system which enjoys good international standing. We follow a structured approach to ensure that business processes, policies or system changes necessary for regulatory change are implemented.

The regulatory landscape has a wide-reaching impact on our business, and we provide a summary of the key regulatory themes currently in focus with key achievements to date:

- Exceeded Basel III capital requirements, with a core tier 1 equity ratio of 12.0% (above the South African Reserve Bank requirement of 7.375%).
- Achieved a liquidity coverage ratio of 116.7%, above the 2018 SARB minimum target requirement of 90%.
- Achieved a net stable funding ratio of 110.1% above the minimum regulatory requirement of 100%.
- Progressed the implementation of Board approved tactical processes and procedures within our Risk Data Aggregation and Risk Reporting (BCBS239) programme with a strategic automation solution to be planned by 2021.
- Completed a complex programme to implement the requirements of IFRS 9.
- Balanced processing efficiencies with local requirements as we focus on ensuring the protection of our customer data. In South Africa, we have embedded our approach to the draft Protection of Personal Information Act.
- Maintained a level 2 B-BBEE contributor status under the Amended Financial Sector Code in South Africa.

Attention is increasingly on environmental, social and governance performance. We comply with King IV, we have adopted the UN Principles for Responsible Investing and the Code for Responsible Investing in South Africa and we are monitoring other guidelines such as the Task Force on Climate-related Financial Disclosures. Our tax philosophy ensures we pay the appropriate amount of taxes in the jurisdictions where we operate.

Compliance reviews either affirm the effectiveness of controls or identify deficiencies where we adopt appropriate remedial and/or mitigating steps. In the normal course of business, regulators conduct reviews of our controls and progress in meeting regulatory requirements. At times, however, remedial action is required, and administrative penalties and fines may be levied on the Group.

2 Supporting consumer protection and preventing financial crimes.

We continue to see an increasing emphasis on regulations relating to responsible investing and financing initiatives.

Responsible credit and insurance are topical regulatory matters. We continue to respond to the limitation of fees and interest rates, maximum costs of credit life and engage with regulators on mechanisms for resolving over-indebtedness/debt relief.

In South Africa, our largest market, we successfully responded to:

- the Financial Sector Regulation Act, which includes the Twin Peaks regulatory framework;
- Retail Distribution Review;
- Financial Intelligence Centre Amendment Bill; and
- Amendments in the Financial Advisory and Intermediaries Services Act.

We continue to monitor various developments, including the Financial Sector Laws Amendment Bill, the National Credit Amendments Bill, the Conduct of Financial Institutions Bill and the South African Retail Banking Diagnostic.

There has been a wide economic impact on society as a result of corruption, leading to an increased need for business, in particular, to maintain financial discipline, ensure appropriate conduct, and to increase contributions to society at large.

We have a zero-tolerance approach in combating money laundering, corruption and terrorist financing, and constantly enhance our control environment to reduce the risk of our employees or customers breaching legislation when dealing with the Group.

98.2% (2017: 98.6%) of our employees have completed fighting financial crime training that includes anti-bribery and corruption, anti-money laundering and sanctions.

3 Driving an ethical culture.

We are committed to ensuring we conduct ourselves in accordance with both the law and our Values; that we act in the right way and treat our customers fairly and that we apply a conduct lens to our corporate activities, the entities with which we do business, and those to whom we donate. We remain vigilant in terms of our suppliers, customers and other business associations and take the necessary steps should allegations regarding corrupt practices come to light.

Our conduct risk framework is embedded within the Enterprise Risk Management Framework and brings together all our risk activities and helps us to focus on:

- providing appropriate products and services at the right prices to our customers;
- upholding market integrity;
- rewarding the right activities and behaviours; and
- mitigating potential risks.

99.9% (2017: 98.8%) of our employees have completed Conduct Risk training while 99.9% (2017: 99.4%) have attested to our code of conduct.

Our Treating Customers Fairly Outcome score is based on the measurement of the experience of customers on the perceived performance of the Group against our conduct risk, as well as the expected outcomes of Treating Customers Fairly. The score decreased marginally to 60% (2017: 61%)

We remain focused on driving innovation, system stability and increasing employees' product knowledge and skills.

Whistleblowing provides a safe platform for employees to confidentially and anonymously raise concerns of unethical behaviour and/or fraud. Tip-offs are the most common detector of fraud. 458 tip-offs were received in 2018 with 198 being employee conduct-related. 27% of these were substantiated.

Employees page 33.

Our ten target conduct outcomes

1. Our culture places customer interests at the heart of our strategy, planning, decision-making and judgments.
2. We do not disadvantage or exploit customers, customer segments, or markets. We do not distort market competition.
3. We proactively identify conduct risks and intervene before they crystallise by managing, escalating and mitigating them promptly.
4. Our strategy is to develop long-term banking relationships with our customers by providing products and services that meet their needs and do not cause detriment.
5. We provide banking products and services that meet our customers' expectations and perform as represented. Our representations are accurate and comprehensible, so our customers understand the products and services they are purchasing.
6. Our products, services and distribution channels are designed, monitored and managed to provide value, accessibility, transparency, and to meet the needs of our customers.
7. We safeguard the privacy of our customers' and employees' personal data.
8. We address any customer detriment and dissatisfaction in a timely and fair manner.
9. We facilitate market integrity.
10. We uphold the reputation of Absa.

Investors

Our shareholders and debt investors provide capital and funding, and have a vested interest in the performance of the Group. We require a sound relationship to ensure a shared expectation around our strategy and future performance. We present a snapshot of our normalised performance against our material focus areas and this should be read in conjunction with the Financial Directors' report that follows on page 41.

Key concerns and expectations

- The performance of RRB in South Africa.
- Separation including rebranding, system changes, management capacity, investment spend and execution timelines.
- Tough operating environment with low GDP growth in South Africa, our largest market.
- Strong existing and emerging competition.
- Stability in management.
- Transparency and competitiveness in reward.

Our material focus areas

1. Sustainably grow revenue with the turnaround of RRB South Africa being a priority.
2. Execute the Separation.
3. Effectively manage risks.
4. Improve efficiency while enabling strategic investments.
5. Deliver appropriate shareholder returns.

This section should be read in conjunction with the following documents that provide detailed information on financial performance and risk management:

2018 Financial results booklet.
2018 Consolidated and separate annual financial statements.
2018 Pillar 3 risk management report

1 Sustainably grow revenue with the turnaround of RRB South Africa being a priority.

Revenue growth of 4% has improved slightly, despite the adverse impact of IFRS 9 and lower prevailing interest rates across our ARO presence countries. We seek to grow our revenue faster, on average, than the South African banking sector from 2019 to 2021 with an improving trend over time and within appropriate risk appetite parameters. Key to this, are our 2019 priorities outlined on page 25. Most notably, RRB SA is progressing its restructuring and will focus on building momentum towards its targets.

2 Execute the Separation.

The Separation remains on track and within budget with 103 of the 198 services provided by Barclays were terminated in line with the Transitional Services Agreement. 140 of the 266 projects have been completed, including five of the 24 largest most complex projects (platinum projects).

3 Effectively manage risks.

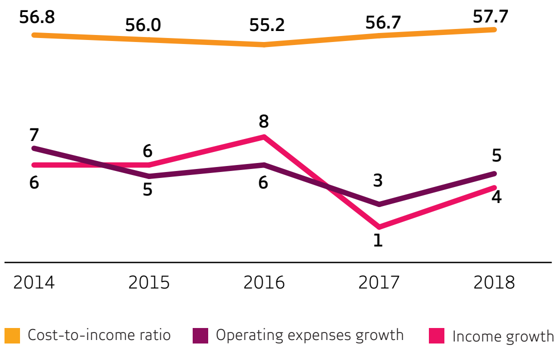
We maintained a strong capital adequacy position with capital buffers sufficient to be able to withstand stressed conditions. Our liquidity position remained healthy within liquidity risk appetite. We continued to invest in infrastructure, process re-engineering, people and technology in order to deliver improved operational resilience.

Overall growth in loans and advances to customers of 12% reflects positive momentum during the year. This growth was achieved without a material change in risk appetite, which together with the prolonged period of a low interest rate environment, writing quality new business and restructuring our collections, all resulted in an improved credit loss rate.

4 Improve efficiency while enabling strategic investments.

Negative Jaws of 1.7% reflects operating cost growth which is faster than income growth. Normalised cost-to-income ratio has increased to 57.7% from 56.7% with a target of low 50s by 2021. Our structural cost programme continues to deliver efficiencies as we remain focused on discretionary costs and continue to plan for further savings opportunities in operations, in the Absa Regional Operations' cost base and technology.

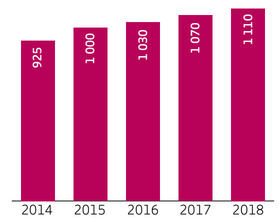
Jaws and cost-to-income ratio (%)



5 Deliver appropriate shareholder returns.

Normalised return on equity increased slightly to 16.8% from 16.5% in 2017. Our medium-term target is to achieve a return on equity of 18-20% by 2021 while maintaining an unchanged dividend policy. We declared a 4% higher full-year dividend per share.

Dividend per share (cents)



Group Financial Director's report

Despite a challenging backdrop, we are pleased with the improved underlying momentum of our new growth strategy.

2018 Overview[1]

Real GDP growth across our regional operations presence countries was considerably higher than South Africa, averaging 5.6% in 2018, compared to South Africa's weak 0.8%. Mozambique and South Africa's GDP growth were below our expectation, while Ghana and Uganda were above our expectation. Interest rates declined in all our markets, with significant cuts in Ghana, Mozambique, Tanzania and Zambia. While good for credit impairments and loan growth, this also reduced our net interest margin. Although differing by country, on average the rand was slightly stronger in 2018 than in the regional portfolio. Currency depreciation in Absa Regional Operations (ARO) reduced its earnings by 4% last year; however, the spot rand rate was almost uniformly weaker year-on-year, which added 13% to asset growth.

Our revenue growth improved from last year, but remains moderate. Our underlying growth was slightly better, with revenue up 5%, excluding the impact of IFRS 9. Our credit impairments fell 10%, although the improvement excluding IFRS 9 was 1%. Operating expenses remain well controlled at 5% and have improved year-on-year, resulting in 1% higher pre-provision profits, or 5% excluding IFRS 9.

Our headline earnings grew 3% to R16.1bn and return on equity improved slightly to 16.8%. Our profit after regulatory capital charge, which is a version of economic profit, rose 5% to R2.7bn.

Our balance sheet remains solid, with strong capital levels and liquidity and prudent provisioning. We are strongly capital generative and our common equity tier 1 ratio of 12.0% is well above our Board target range, which allowed us to declare a 4% higher ordinary dividend per share.

Separation

As outlined on page 26, significant progress has been made in the Separation. We reported in 2017 that Barclays contributed GBP765m or R12.6bn to enable us to take the steps required to achieve the Separation. The benefit of receiving the contribution upfront is the foreign exchange gains and interest earned on the contribution invested.

To date we have spent R7.6bn on Separation execution (including technology and brand projects and programme support) and R1.5bn on transitional services agreement costs. Platinum projects have been about R3bn of this. We still expect that Separation will be capital and cash flow neutral over time as spend is incurred and we have sufficient contingency within the funding to complete the remaining projects and mitigate possible overruns.

ARO enhanced our growth

The return on equity of ARO has improved materially from 13% in 2013, when we purchased eight banks from Barclays, to almost 19%. We believe this should increase further medium-term, as we reduce RBB's high 71% cost-to-income ratio and grow our CIB franchise, where returns are attractive.

ARO continued to enhance our growth with earnings of R3.2bn, up 9% (13% in constant currency), which accounted for 19% of total earnings and 21% of revenue. Although its pre-provision profits increased 3%, significantly lower credit impairments were the main driver of its growth.

CIB Africa grew 7% (11% in constant currency) to R2.5bn and accounts for 75% of ARO's earnings (excluding Head office, Treasury and other). RBB Africa's earnings rose 26% (29% in constant currency) on 10% higher pre-provision profits and 14% lower credit impairments.

View our 2018 results presentation on absaafrica2018ar.co.za

[1] The Separation will impact the Group's financial results for a number of years, and so we provide normalised financial results to adjust for the Separation's consequences and to better reflect our underlying performance. We will present normalised results for periods where the financial impact of the Separation is considered material and use this view in our internal reporting, performance management and capital and dividend decisions. We continue to present International Financial Reporting Standards (IFRS)-compliant financial statements, as required by the Companies Act and the JSE Listings Requirements, as well as a reconciliation of these two views in our 2018 Financial results booklet.

Accounting changes

We adopted IFRS 9 from 1 January 2018, and as a result, credit impairments have moved to a lifetime expected credit loss approach from an incurred basis. Relative to previously published numbers, IFRS 9 has resulted on a reduction of R5.4bn in retained income which is mainly reflected in an increase of R7.0bn in the Group's credit provisions and interest in suspense on the adoption of IFRS 9. IFRS 9 brings forward the recognition of credit provisions, although our charge should not differ through the cycle. This creates some new business strain as banks grow their loans and also introduces greater volatility, as there is a cliff effect when loans move between stages. For instance, our December 2018 coverage on retail mortgages in South Africa ranged from 0.15% in stage 1, to 1.7% in stage 2 and 26% in stage 3.

The implementation of IFRS 9 was complicated and we highlight two topical technical issues. Firstly, there has been substantial global technical debate on how to treat post write-off recoveries in calculating loss given defaults. We reconsidered our treatment and have excluded these recoveries from loss given defaults, which resulted in a R1.9bn or 7% increase in our credit provisions and interest in suspense adjustment as at 1 January 2018. Secondly, in November the sector received the conclusion from the International Financial Reporting Interpretations Committee (IFRIC) on how to treat interest in suspense which is recovered on cured stage 3 assets. As a result, for 2018 we have amended our accounting treatment and included R608m as a credit impairment gain rather than reflecting this in interest income as we previously did. The change reduced both our revenue and our credit impairments, and had no impact on our bottom line.

Further information on IFRS 9 and the adoption of other new standards are outlined in our 2018 Financial results booklet (page 148 Reporting changes).

Income statement analysis

on a normalised basis

	2016 Rm	2017 Rm	**2018 Rm**	Change %
Net interest income	42 003	42 319	**43 425**	3
Non-interest income	30 391	30 671	**32 235**	5
1 **Total revenue**	72 394	72 990	**75 660**	4
2 Operating expenses	(39 956)	(41 403)	**(43 642)**	5
3 **Pre-provision profit**	32 438	31 587	**32 018**	1
Credit losses	(8 751)	(7 022)	**(6 324)**	(10)
Other impairments and indirect tax	(2 120)	(1 876)	**(1 832)**	(2)
Associates and joint ventures	115	170	**179**	5
Profit before taxation	21 682	22 859	**24 041**	5
4 Taxation	(5 835)	(6 290)	**(6 766)**	8
Profit after taxation	15 847	16 569	**17 275**	4
Attributable earnings	14 708	15 370	**15 903**	3
Non-controlling interest	1 139	1 199	**1 372**	14
Headline earnings	14 980	15 623	**16 128**	3

1 Revenue growth improving

Revenue growth improved from last year but remains moderate. Our underlying growth was slightly better, with revenue up 5% excluding the impact of IFRS 9.

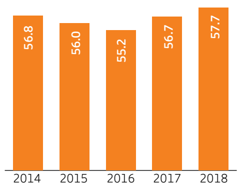
Momentum building in non-interest income

Non-interest income growth improved from 1% in 2017 to 5% (6% in constant currency) increasing to 43% of total revenue. Net fee and commission income is 70% of non-interest income, and it grew 4% (or 6% excluding the sale of Employee Benefits). Net trading income increased 7%. In South Africa, Markets income increased 10% off a relatively low base, while Absa Regional Operations Markets declined 2% off a high base.

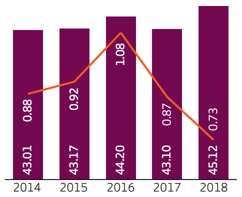
IFRS 9 reduced net interest margin

Reclassifying recoveries on cured accounts from interest income to credit impairments, along with increased suspended interest, decreased our net interest income by R1.1bn and reduced our margin by about 12 basis points. Excluding these IFRS 9 transition impacts, on a like-for-like basis, our Group net interest margin declined slightly in line with our guidance.

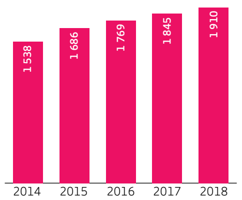
Cost-to-income ratio (%)



Credit loss ratio/ Non-performing loan coverage ratios (%)



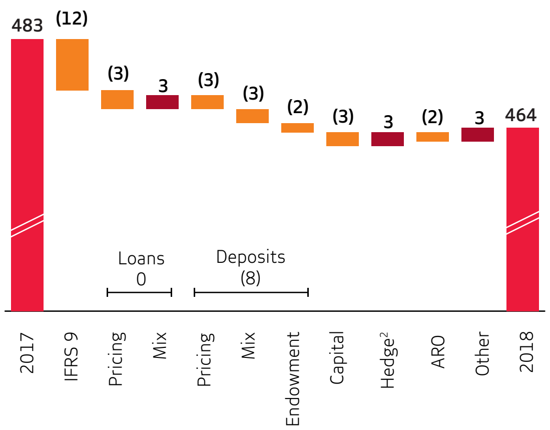
Diluted headline earnings per share (cents)



Despite stronger CIB growth, loan mix improved our margin largely because of slow growth in mortgages, although the latter improved in the second half. Our deposit margin narrowed due to pricing competition for retail fixed deposits and higher wholesale funding, while lower interest rates reduced the endowment on our equity and deposits. We continue to hedge structural balances of about 13% of our South African capital and liabilities. Our structural hedge released R518m to income, 3 basis points more than last year, to partially offset the negative endowment impact.

Lower rates across ARO reduced our group margin by 2 basis points. Within 'Other', Treasury's improving asset/liability construct in South Africa added 6 basis points which was partially offset by the reduction between the prime interest rate and JIBAR. With 7% higher average interest-bearing assets, our net interest income rose 3% to R43bn.

Change in net interest margin[1] (basis points)



1 Average interest bearing assets
2 Interest rate risk management

2 Continued to manage costs while investing

Operating expenses remain well controlled, growing at 5% (6% in constant currency), to R44bn. Although negative, our operating Jaws improved and our pre-provision profits were 1% higher, or 5% when excluding the effects of IFRS 9. Operating costs included R750m in incremental run costs as we build out the capabilities required following the Separation, R200m in RBB SA restructuring costs and R200m in rebranding costs. Excluding these items, the underlying cost growth was 3%, and the constant currency cost growth has been in line with inflation for the past three years.

Staff costs increased by 4% with salaries up 7%, while incentives declined 2% largely due to lower share-based payments and deferred bonuses. Non-staff costs increased 7% with cash transportation and depreciation up 16% and 17%, respectively. The latter reflects IT investments and new property that was brought into use. Total property-related costs rose only 1% as we continue to optimise across our real estate portfolio. Communication costs were flat, with telephone and postage, plus printing and stationery well contained.

Professional fees grew 7%, reflecting incremental run costs which mostly related to a large technology outsourcing contract while marketing declined 7% due to lower product campaign spend. Amortisation of intangible assets increased 25% given investment in digital, data and automation and our direct IT costs rose 2%. Our total IT spend including staff and depreciation increased 7% to almost R8bn (18% of Group expenses).

We remain focused on efficiency and plan for further savings opportunities in Group operations, ARO's cost base and technology and discretionary costs.

3 Credit impairments improved further

Our Group credit impairment fell 10% to R6.3bn resulting in a 73 basis point credit loss ratio from 87 basis points in 2017. The underlying improvement, excluding the IFRIC revenue reclassification on how to treat interest in suspense, was closer to 1%. Excluding the impact of the IFRIC guidance:

- RBB SA's credit impairments grew 2% in line with our expectations, with noticeable improvements in card and home loans offsetting underlying strain in retail vehicle finance.
- Business Banking's credit impairments increased 34%, due to book growth and some commercial defaults.

CIB SA's credit impairments increased 76% due to a large single name charge. CIB's watchlist has improved since 2017 although it remains at elevated levels and we continue to closely monitor the construction sector, mining and state owned entities.

ARO's credit impairments were better than we expected, dropping 38%, resulting in a 77 basis point credit loss ratio. This reflects a benign macro backdrop, including lower interest rates in all markets, proactive risk management and strengthened collections. CIB's credit loss ratio of 7 basis points is well below its through-the-cycle levels and could increase going forward.

Stage 3 assets decreased to 5.1% of total loans from 5.5% and our cover improved to 45.1%, which we consider appropriate.

4 Responsible tax payer

Our taxation expense rose 8% to R6.8bn, raising our normalised effective tax rate to 28.1%, with the main driver being non-tax deductible expenses. Our Group tax rate continues to be relatively high and we seek to optimise the tax position of our commercial operations, while ensuring a responsible approach to tax through our tax philosophy. This philosophy considers the needs of all stakeholders, including shareholders, customers, tax authorities, regulators and wider society and we ensure that all taxes are paid in accordance with the legislative requirements of the countries in which we operate.

Balance sheet analysis
on a normalised basis

	2016 Rm	2017 Rm	**2018 Rm**	Change %
Total assets	1 101 023	1 168 683	**1 285 52**	10
1 *Of which* Loans and advances to customers	720 309	749 772	**841 720**	12
3 **Total equity**	102 280	108 506	**112 853**	4
Capital and reserves attributable to ordinary equity holders of the Group	93 057	97 862	**100 700**	3
Non-controlling interest – ordinary and preference shares	9 223	10 644	**12 153**	14
Total liabilities	998 743	1 060 177	**1 172 699**	11
2 *Of which* Deposits due to customers	674 865	689 867	**736 305**	7
Total equity and liabilities	1 101 023	1 168 683	**1 285 552**	10
Loans-to-deposit and debt securities ratio (%)	88.4	90.6	**93.8**	

1 Group loan growth momentum continued

Growth in loans and advances improved 12%, increasing our total loans to R842bn. South Africa, which accounts for almost 90% of our loans, increased 12%. Retail in South Africa (our largest book) grew 5% from 2% in 2017. Business Banking's gross loans rose 11% driven by 19% growth in term loans. CIB's gross loans increased 25%, or 13% on average, with strong growth in reverse repos particularly at year-end, good momentum in commercial property finance and 23% higher term loans. ARO's gross loans rose 26% (12% in constant currency) with very similar growth from RBB and CIB.

Our key retail products in South Africa (48% of our total gross loans) showed improved momentum with Home Loans (56% of South Africa retail) growing for the first time in several years as it gained share of new business. Vehicle and Asset Finance (retail and commercial) increased 12%, which was ahead of the market. Card increased 4% (up 9% when excluding one of our store card portfolios) and Personal Loans was up 12% as our share of business increased. Momentum in retail lending as well as the quality of new production shows potential for improved annuity business.

2 Deposits in RBB improved while lower in CIB SA

Although our total deposit growth improved to 7% from 2% in 2017, it lagged our loan growth. RBB SA grew 11% to R333bn (45% of our total deposits) with retail increasing 11% and gaining market share as a result of strong growth in fixed and notice deposits, while transactional deposits increased 10%. Business Banking rose 10% with solid growth in transactional and investment products. In South Africa, CIB deposits declined 2%, although average transactional deposits increased 8%, demonstrating progress in gaining primary customers. Growing deposits is a focus for CIB SA and it launched an innovative on-balance sheet money market product in February 2019.

ARO's 23% deposit growth is flattered by the weaker spot rand (10% in constant currency) and is well funded with a 72% loan-to-deposit ratio. Given the gap between our customer loans and deposit growth, deposits from banks and debt securities in issue increased strongly. Growing core deposits is a significant focus for us going forward.

3 Maintained strong capital levels

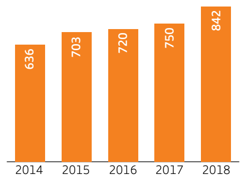
Our capital levels remain strong with our common equity tier 1 ratio stable. Group risk-weighted assets grew 11% to R819bn in line with our customer loan growth. IFRS 9 reduced our common equity tier 1 ratio by 7 basis points during 2018 as we are phasing the IFRS 9 effect in over 3 years. We remain strongly capital generative, with profit adding 2% to our common equity tier 1 ratio, while dividends reduced it by 1.2%.

Our resulting normalised common equity tier 1 ratio of 12.0% is well above the 11.5% top end of our Board target range. Capital levels are stronger on a statutory basis, which includes another 0.8% for the remainder of the contribution from Barclays. Our total normalised Group capital ratio is healthy at 15.4%, which includes the USD400m of Basel III compliant Tier 2 capital which we issued in April 2018.

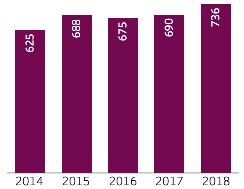
Healthy liquidity

Our liquidity position remains healthy with a net stable funding ratio of 110.1% and a liquidity coverage ratio of 116.7%, both above the regulatory requirements.

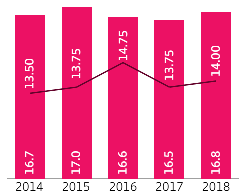
Advances (Rbn)



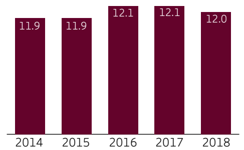
Deposits (Rbn)



Return on equity/ cost of equity (%)



Common equity tier 1 (%)



Segment Performance

Stable underlying divisional returns

Most of our divisions produced stable returns for the period. RBB SA's return on regulatory capital of 24% remained strong, while CIB SA's return on regulatory capital of 15.6% was lower than 2017 which was entirely due to a single name provision. ARO's return on equity improved further to almost 19%. Lastly, WIMI's 22% return on equity is well above its cost of equity.

Benefits of a well-diversified portfolio

Our Group earnings remain well-diversified both by activity and geography. RBB SA's grew 2% to contribute 53% of our earnings. In total, CIB SA and CIB Africa's earnings increased by 2% and accounted for over a third of Group earnings, which is evenly split between the Corporate Bank and the Investment Bank. CIB SA's earnings decreased 1% due to negative Jaws and significantly higher single name credit impairments. ARO's contribution increased to 19% of Group earnings with earnings up 9%, including strong 26% growth from RBB. WIMI contributed the remaining 8% of earnings, after growing 3%.

Retail and Business Banking

Headline earnings increased 2% due to 10% lower credit impairments as pre-provision profits declined 2%. Revenue grew 2% with non-interest income increasing 5% largely due to card issuing and merchant acquiring volumes growing 9% and 13%, respectively. Momentum in Retail's fee and commission income, which accounts for over half group non-interest revenue, has consistently improved since the second half of 2016. Costs rose 5% resulting in a 59.1% cost-to-income ratio. The credit loss ratio improved to 0.94% from 1.10%.

Corporate and Investment Bank

Headline earnings in South Africa decreased 1% primarily due to 76% higher credit impairments. Pre-provision profits grew 5% although 12% higher costs exceeded 8% revenue growth. CIB SA's non-interest income increased 7%, due to Markets growth and 9% higher transactional income in Corporate. Corporate earnings grew 4% largely due to 11% revenue growth. Investment Bank earnings decreased 4% due to 70% higher credit impairments.

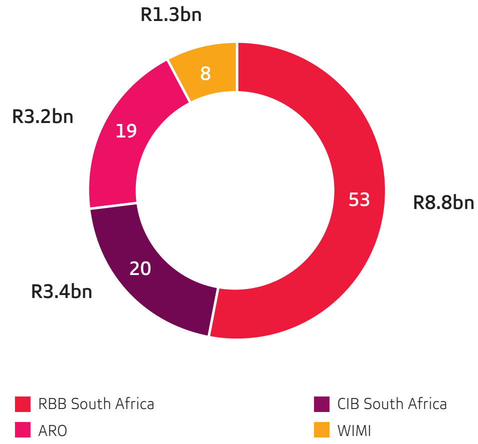
Absa Regional Operations

Headline earnings grew 9%, or 13% in constant currency, largely due to 38% lower credit impairments. Pre-provision profits increased 3%. Revenue grew 5% (6% in constant currency) to R16 323m with non-interest growth of 6% (9% in constant currency) reflecting growth in card and payments, bancassurance and corporate. Costs grew 6% (8% in constant currency) resulting in a 58.4% cost-to-income ratio. RBB earnings increased 26% or 29% in constant currency, given positive operating leverage and 14% lower credit impairments. CIB earnings grew 7%, or 11% in constant currency as its credit impairments reduced by 91%.

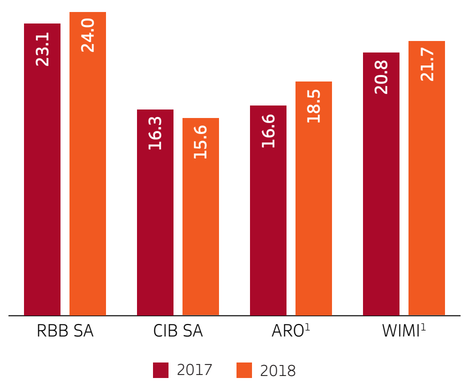
Wealth, Investment Management and Insurance

Headline earnings grew 3% while earnings from continuing business lines increased 8%. WIMI's non-interest income grew 6%, with life insurance net premium income up 10%, offsetting slightly lower investment management revenue. Gross operating income grew 10% and costs decreased 3%. Life insurance earnings grew 4% with the embedded value of new business increased 15%. The investment cluster's earnings declined 6%, largely due to margin compression since assets under management grew 1%. Short-term insurance earnings grew 32%. South Africa underwriting margins increased to 9.6%. WIMI SA's earnings increased 9% while WIMI Africa Regions reported a loss of R58m.

Headline earnings per market segment (%)
Excluding Head Office, Treasury and other operations in South Africa and the impact of the Separation effects.



Divisional return on regulatory capital (%)



[1] Return on equity

Audit quality and independence

Following the decision leading to EY becoming the sole group auditor, significant attention was given by EY to the planning, processes and outcomes of the Group audit, including the adequacy of their specialist resources, the robustness of their level of audit challenge and communication to ensure the quality of the audit. The quality and rigour of the audit was carefully monitored by both management and the Group Audit and Compliance Committee and a formal assessment of the effectiveness of the audit was carried out and proved satisfactory.

2019 performance outlook

In South Africa, we expect 1.7% real GDP growth and we forecast real GDP growth of 5.9% in our regional operations. Based on these assumptions, and excluding any major unforeseen political, macroeconomic or regulatory developments, we expect stronger deposit growth this year and it should exceed our loan growth. We again see better loan growth from the regional operations in constant currency than from South Africa, where momentum should continue.

Net interest margin is likely to decline slightly this year, given higher wholesale funding and regulatory costs.

Normalised costs will remain well controlled and we are targeting positive operating Jaws for the full year, although this could be challenging in the first half, given the slow start we expect in the economy and financial markets.

Our credit loss ratio is likely to increase off a low base.

Normalised return on equity should increase slightly in 2019, on the path towards achieving our target of 18% to 20% in 2021.

Normalised common equity tier 1 ratio should remain above Board targets and we are comfortable with our dividend cover at current levels.

Jason Quinn
Financial Director

Remuneration Committee **Chairman's Statement** to shareholders

We made enhancements to our reward approach in 2018. These are in response to the opportunities to alignment with regional practices following regulatory deconsolidation from Barclays, shareholder feedback, a review of our current practices for future-fitness and to align with our growth strategy.

Alex Darko
Remuneration Committee Chairman

I am pleased, on behalf of the Remuneration Committee to present the Group's Remuneration Report which sets out our Remuneration Policy (Policy) and its implementation in 2018. We have provided an overview of our changing organisational context over the past two years, and the implications that this has had on our Policy and its related practices. We have outlined the progress made towards addressing the concerns raised with us by our shareholders regarding our Policy and its implementation. We also highlight the key focus areas for the Remuneration Committee in 2019 and beyond.

Our changing context

The past year has been one of significant activity and change for the Group as we achieved regulatory deconsolidation from Barclays, announced a new strategy repositioning ourselves as an independent African financial services group focused on growth, and implemented a new operating model to structure the business for delivery of the new strategy.

This transition has had a direct impact on the evolution of our Policy from 2017, into a revised reward philosophy and Policy underpinned by key principles in support of our growth strategy.

Further details of our revised Policy and our future plans in this regard are set out on pages 51 to 56. The progress made on the embedment and application of the policy during 2018 is detailed in our 2018 Remuneration Implementation Report, set out on pages 58 to 74.

Our context

2017 Our history

Barclays was our controlling shareholder and we were required to fully comply with the United Kingdom Prudential Regulatory Authority and European Union's Capital Directive (CRD-IV) remuneration requirements.

This resulted in:

- Limitations on the use of long-term incentives and other variable remuneration mechanisms.
- A policy and practices that were out of line with local and regional market practice.

When Barclays announced its intention to sell down its controlling stake, our key executives became more vulnerable to approaches from competitors due to the change, and the existence of lower levels of financial lock-in.

2018 Focus

The composition of our shareholder base has changed materially subsequent to the sell-down by Barclays.

Shareholder feedback on our remuneration practices, including an adverse vote on our 2017 remuneration implementation report included:

- a lack of Group performance conditions for the 2016 and 2017 Restricted Share Awards. It is noted that these awards are subject to a minimum level of individual performance which also included general consideration of Group performance during the vesting period/s, including progress towards the Separation;
- the performance targets for the 2017 long-term incentive awards were not disclosed; and
- there was no direct or formulaic link between performance and executives' incentive outcomes.

Regulatory deconsolidation from Barclays was achieved on 30 June 2018, which released the Group from the requirement to comply with CRD-IV.

Our future 2019

An independent organisation with a diverse shareholder base, able to offer competitive remuneration, based on performance and in line with local and regional market practice.

Our response

2017 Our history

Role based pay was used to maintain overall remuneration competitiveness, due to regulatory restrictions on the ratio of fixed to variable remuneration that applied. This resulted in a remuneration mix that was out of line with local and regional market practice, with a larger emphasis on fixed remuneration as opposed to variable remuneration linked to Group and individual performance.

Restricted share awards, which did not include explicit Group performance conditions (but which did have general reference to a minimum level of individual and Group performance, and to our progress in terms of the Separation), were granted as a retention mechanism for key resources during the Separation. This was as a result of our relative disadvantage to competitors as regards the extent of unvested share awards held by these key leaders, and the consequent low level of financial lock-in in place.

There was an urgency to grant these awards, and therefore structures already in place and approved by shareholders were utilised.

Long-term incentive awards in the form of performance shares were introduced and linked to Group financial and non-financial performance conditions, including transformation and Separation-related measures. Special approval was sought from Barclays to vary the remuneration policy in this regard, post the sell down. The performance conditions for this 2017 long-term incentive award were set cognisant of the need to provide participants with a level of confidence that achievement of these was possible, after a number of years without a long-term incentive in place, and relatively low vesting outcomes before this. The performance targets are set out on page 52.

2018 Focus

We engaged with our shareholders following the vote on our 2017 remuneration implementation report and our Policy. We revised our remuneration philosophy, policy and principles, addressing key matters raised by shareholders and employees, and considering our new strategy and our release from the CRD-IV requirements.

Our principle-based remuneration philosophy specifically seeks to balance the objectives of all stakeholders, including shareholders, our employees, our customers and the broader communities in which we operate, while taking risk appetite into consideration.

Following regulatory deconsolidation, we conducted detailed benchmarking of remuneration practices and levels, and aligned our remuneration approach to local regulatory and market practice. Role based pay was removed with a greater proportion being incorporated into the short- and long-term incentivisation of senior executives and material risk takers. This was to emphasise pay for performance and better alignment to shareholder interests. Through this process, our remuneration was re-aligned to market benchmarks to include:

- a cost-to-company;
- short-term incentives (including deferral); and
- long-term incentives (with performance targets aligned to the Group's medium-term financial targets).

Risk-related remuneration practices have been retained, including those in relation to the concept of material risk takers, as well as malus and clawback.

Development began on the proposed Share Incentive Plan rules.

Share incentive awards that are not linked to performance conditions are no longer granted to executives, other than in respect of deferred short-term incentive awards. In exceptional circumstances, retention share awards may be granted, subject to Remuneration Committee approval, to retain key talent below executive level, with vesting subject to minimum individual performance requirements.

We aligned the vesting period of our share-based awards to market practice following our release from CRD-IV on the first practical date thereafter, this being 1 October 2018.

Our future 2019

Ongoing constructive engagement with shareholders on our Remuneration Policy and practices.

We will continue to embed our remuneration philosophy and related Policy and principles across the Group.

Our revised Policy and related practices are more competitive and compelling to employees, where they and the Group deliver on the targeted performance levels.

It is intended that our remuneration outcomes are aligned, as applicable, to short- and long-term value creation and are appropriately transparent.

In line with the pay for performance principle, all future long-term incentive awards will be subject to Group performance conditions that are sufficiently stretching and appropriately comparable to those used by competitors. We are cognisant of the guidance provided to us by our shareholders regarding what they view as acceptable in this regard.

Approval is being sought from shareholders at our 2019 annual general meeting for the proposed Absa Group Share Incentive Plan, which is aligned to market practice. The first awards under this Plan (subject to shareholder approval being obtained) will be made in early 2020 as part of the annual payround process. Key areas that are addressed are:

- alignment of the Plan to market practice and governance standards;
- inclusion of all award types – deferred awards, performance awards and retention awards which includes buy-out awards to new joiners – under a single plan; and
- updating our treatment of awards in the case of termination of employment (eligible and ineligible terminations).

Further details of the Plan are set out on page 55, and in our 2019 Notice of annual general meeting.

Remuneration governance

Details of the composition of the Remuneration Committee and other key elements of the governance of remuneration in the Group are set out on page 79.

Regulatory compliance

Our report aligns with the principles and recommended practices of King IV and the related JSE Listings Requirements. We continue to engage with regulators regarding any potential requirements arising from the prudential and conduct authorities under South African Twin Peaks legislation.

Applying King IV

In applying Principle 14 of King IV, the JSE Listings Requirements, and to the extent applicable, the Companies Act, we:

- Structured our remuneration report according to the three parts recommended in King IV, which are the Remuneration Committee Chairman's statement, the Remuneration Policy overview and the Implementation Report with focus on executive management.
- Within the Remuneration Policy, we include, at a high level, the remuneration elements and design principles informing the remuneration arrangements for other employees.
- Comment on fair and responsible remuneration and how our Policy deals with this for executive management in the context of overall employee remuneration.
- Provide details of the elements in executive's employment contracts which could give rise to payments on termination of employment or loss of office.
- Continue to request support, via a non-binding advisory vote, for our Remuneration Policy and the 2018 Implementation Report.
- Engage with shareholders, including in the event of a negative vote of more than 25% on our Remuneration Policy or 2018 Implementation Report.

Addressing the adverse voting outcome on our 2017 Implementation Report

Following the 52.6% 'for' shareholder vote in 2018 on the 2017 Remuneration Implementation Report and 76.5% vote 'for' our Remuneration Policy, we held a teleconference call with shareholders on 23 July 2018 to obtain their feedback. The Remuneration Committee has taken steps in good faith and with best reasonable effort to address concerns raised.

Reasons for dissenting votes?

- Not disclosing performance targets for our 2017 long-term incentive awards.
- The ongoing inclusion of role based pay in the remuneration of our senior executives and material risk takers.
- The vesting period for our 2016 and 2017 Restricted Share Awards, which commenced on the second anniversary of the award date being too short, and the absence of Group performance conditions on these awards, notwithstanding the general Group and individual performance requirements.
- The absence of a transparent or predictable link between performance and the annual short-term incentives paid to senior executives.

What steps did we take?

- Refreshed our reward philosophy, Policy and principles.
- Introduced a revised short-term incentive plan with greater alignment to Group, business unit or function and individual performance.
- Enhanced alignment to pay for performance through the introduction of more stretching performance conditions in our long-term incentive plans.
- Removal of role based pay post regulatory deconsolidation. The earliest practical date for the implementation away from role based pay towards increased incentive-based pay was October 2018. The development of policy changes including the supporting models, required substantial involvement of, and guidance by, the Remuneration Committee and Directors' Affairs Committee, as well as communication with executives and senior employees involved.
- Confirmed we will not make further use of restricted share awards.
- Improved transparency and disclosure regarding our remuneration arrangements.

The Remuneration Committee is satisfied that good progress has been made in refreshing the remuneration philosophy and revising the Policy. Given the commencement of implementation of the Policy during 2018 with particular attention to senior executives and material risk takers, a key priority for the Remuneration Committee in 2019 will be on its further roll-out in the Group.

External advice

The support received by the Remuneration Committee from PwC during 2018 was primarily strategic and directional and was subject to internal peer review within PwC. Management were advised by PwC during the year in the development and implementation of the Policy.

Non-binding advisory votes

The Remuneration Committee is satisfied that it has fulfilled the requirements of its terms of reference and with the progress made on the revisions to the remuneration philosophy and Policy, in response to shareholder feedback and our changing regulatory context. We endeavour to ensure that our reporting is straightforward, yet sufficiently comprehensive and transparent. We acknowledge the need to continuously improve in this regard. We also acknowledge that 2018 saw a number of changes in our remuneration context, and in our Policy and practices, and that 2019 therefore represents a key baseline year for implementation and for stable and consistent reporting on our remuneration.

The Policy and the Implementation Report will be presented for separate non-binding votes at our annual general meeting on 4 June 2019. These resolutions are set out in the 2019 Notice of annual general meeting.

Conclusion

The past year was a year of significant change for the organisation as we fundamentally repositioned ourselves for delivery against our new strategy. We believe that we have made good progress in developing a reward philosophy and Policy that underpins the organisation's growth strategy and that will serve as an important catalyst in focusing the efforts of our employees on delivery of the Group's strategic ambitions, while supporting the creation of value for all our stakeholders in a fair and responsible way.

Alex Darko
Remuneration Committee Chairman

Our **Remuneration Policy**

Our reward philosophy underpins our growth strategy, entrepreneurial culture and risk management approach. Its objective is to direct the efforts of our employees in delivering our strategy of creating sustainable value for all our stakeholders in a fair and responsible way.

Our reward principles

1. **Attract, retain and engage** high calibre individuals who have the skills, ambition, and talent to deliver our strategy.
2. **Support the realisation of our stakeholder promises**, with specific focus on rewarding our employees for the achievement of our strategy within our risk appetite relative to performance and shareholder returns.
3. **Align the long-term interests of our executives and shareholders**, by ensuring remuneration outcomes are aligned to the value we create in the short and long term and are transparent. This entails a specific emphasis on the contribution of longer-term incentives for senior and executive employees, aligned to market practice.
4. **Pay for performance** – by aligning incentive outcomes to performance and value created. Within this, we apply deferrals, and malus and clawback provisions to ensure effective alignment of risk and reward within the context of Group performance outcomes and to discourage inappropriate behaviour.
5. **Drive our culture** of being entrepreneurial, while taking ownership and accountability for responsible, sustainable business growth and success. We aim to achieve this by:
   - ensuring that employees share in the Group's success, differentiated on the basis of their contribution, in both the short and long term;
   - ensuring that our employees' ethical behaviour, values and adherence to our risk management principles are recognised in their individual performance ratings.
6. **Continuously build confidence and trust** in our reward outcomes through high quality reward governance, engagement on our disclosure with shareholders, as well as internal transparency and effective communication.
7. **Deliver fair and responsible remuneration**, through annual reviews of pay gap metrics, and appropriate decisions that influence our most junior employees to ensure dignified standards of living. This includes a concerted emphasis on addressing differentials in reward considering diversity.

Fair and responsible remuneration

Remuneration must be both externally competitive and internally equitable.

Fair remuneration is:

- impartial, free from discrimination, prejudice, favouritism or self-interest;
- rational (not subject to emotion); and
- purposeful in addressing unfair remuneration differentials.

We consider executive remuneration alongside the broader employee population's remuneration to ensure fairness and consistency across the Group. Where practical, we monitor the remuneration paid by our third-party service providers to ensure that it is fair.

Responsible remuneration is:

- approved within appropriate levels of authority;
- subject to independent oversight;
- linked to positive outcomes and value creation; and
- sustainable.

We seek to ensure appropriate and reasonable alignment between reward, risk and conduct, and that remuneration is in line with our Values and does not encourage inappropriate risk.

In support of fair and responsible remuneration:

- our Remuneration Review Panel, a sub-committee of the Executive Committee chaired by the Chief Risk Officer, makes recommendations for approval to the Remuneration Committee on adjustments to incentive pools, individual awards as well as malus adjustments and clawback in the event of conduct or ethical issues arising that impact or are impacted by remuneration; and
- we analyse pay differentials across the employee population and establish the reasons for these. Where disparities exist that are not based on objective criteria (such as seniority, role content, experience, performance), we take steps to address these. Steps taken in 2018 in support of delivering fair and responsible remuneration are set out on pages 58.

Performance management

Performance management must be fair and have a strong developmental focus. Each employee agrees a set of objectives and measures of success against which they are assessed, taking into account both what is delivered and how it is delivered. This ensures a balance between the achievement of performance objectives, and conduct, culture and values. Rating outcomes are subject to a consistency review process to ensure fairness, and alignment with overall business performance. Performance ratings for our Executive Committee are subject to oversight by the Remuneration Committee.

Individual performance ratings are used as a key input to both fixed remuneration and short-term incentive decisions. Where full-year individual performance falls below expectations, employees are ineligible to receive short-term incentive awards.

We aim to continuously improve our employees' performance management experience and to build on the success of performance coaching initiatives to assist with employee development.

2018 elements of remuneration

We will deliver on our growth strategy and create shareholder value by ensuring retention and high performance of top-quality employees.

We aim to apply a common remuneration framework and structure across the Group, yet will differentiate its implementation according to local country practice and statutory or regulatory requirements.

While targeting a market median position on total remuneration, we aim to pay above the market median for our top performers and critical skills, and with regard to employment equity imperatives. Market positioning is reviewed relative to appropriate market benchmarks, to ensure that outliers, either above or below the overall target market positioning receive attention. This is in line with our commitment to competitive, fair and responsible remuneration and to improve overall consistency in our remuneration practice.

Remuneration that is not aligned to market levels can be addressed over time by, among other actions, above-average increases in fixed remuneration or slowing or stopping fixed pay progression for above market positioning.

Our remuneration mix post regulatory deconsolidation and the removal of role based pay comprises fixed remuneration (cost-to-company or total guaranteed package), short-term incentives (cash and deferred, where deferral applies) and long-term incentives (where applicable) in the form of performance shares.

Total remuneration

=

Fixed remuneration + Short-term incentives + Long-term incentives

Fixed remuneration

Referred to as cost-to-company in South Africa and total guaranteed package in Absa Regional Operations. This forms the basis for a competitive total remuneration package. We aim to position fixed remuneration generally at the market median. We do however, target above the market median to attract and retain top performers and holders of critical or scarce skills, talented individuals with outstanding track records, and in support of our employment equity imperatives.

Fixed remuneration is reflective of an individual's role, specific skills and experience, with reference also to the appropriate market rate for the role.

Salary

The cash element of fixed remuneration.

+

Benefits

Competitive benefits (including pension, life insurance, medical aid and other risk and lifestyle-related benefits) appropriate to an employee's role and location.

Short-term incentives

Subject to the achievement of Group, business or functional unit, team and individual objectives

Cash

Settled in cash in March of the following year.

+

Deferred short-term incentive

Deferral, in terms of the defined deferral thresholds, is currently delivered 50% in shares and 50% into cash deferred over three years, vesting 33.3% per annum. Participants have the option to receive their deferred short-term incentive delivered 100% in shares, deferred over three years vesting 33.3% per annum.

Value of 2018 award	Deferral
Less than R500k	Nil
From R500k to R1.499 million	30%
From R1.5m to R2.999 million	40%
From R3 million	50%

From 2019 (for awards made in 2020) all deferrals under the short-term incentive plan will be in shares only (other than where regulatory reasons prevent the award of shares, in which case deferral will continue to be in the form of deferred cash). Dividend equivalents may apply on deferred short-term incentive awards, at the Remuneration Committee discretion.

Separate deferral thresholds apply for Absa Regional Operations and our International Offices in line with market practice in those regions. These do not impact any executive directors or prescribed officers.

Deferral threshold levels will be assessed on an ongoing basis to enhance our offering to key talent in line with our reward principles, and to attract, retain and engage high calibre individuals who have the skills, ambition and talent to deliver our strategy.

Long-term incentives

Subject to Group performance targets

Share-based incentives

Setting appropriate performance measures with sufficiently stretching targets is a critical element of our reward principles (pay for performance, supporting the realisation of all our stakeholder promises and aligning the long-term interests of our executives and shareholders).

We review regional market practice and set measures and targets in the context of our growth strategy and medium-term financial targets.

2018 Short-term incentives

We introduced a revised short-term incentive pool methodology which incorporates a hybrid top-down, middle-up and bottom-up approach to the determination of short-term incentivisation. Top-down determines the overall Group and business unit/function affordability, whereas the bottom-up reflects the employee demand against the Group and business unit/function pools in light of individual performance.

This revised methodology is primarily formulaic, but retains an element of Remuneration Committee discretion at Group level for affordability and risk considerations and, in respect of the Executive Committee, at an individual level to mitigate unintended outcomes. Management discretion may also apply in respect of other individual outcomes. The revised approach is informed by market practice, to provide a more explicit pay for performance link between the Group, business units/functions' and employees' objectives and performance and incentive outcomes.

Under the revised approach, increased leverage to Group performance is achieved through the application of a performance modifier which references both financial and non-financial performance measures.

Group short-term incentive pool (Top-down)

The top-down Group pool is determined by adjusting the on-target pool (agreed and approved by the Remuneration Committee) by a performance modifier. This modifier is determined by applying a range of weighted leveraged performance outcomes from threshold achievement (80% modifier) to stretch achievement (120% modifier) against pre-defined financial (revenue, headline earnings, profit after regulatory capital charge – a risk-adjusted measure) and non-financial (customer franchise health) measures.

The financial performance measures as applied are on a normalised basis (adjusted for the consequences of the Separation) so as to better reflect the Group's underlying financial performance.

Business unit and functional area incentive pool (Middle-up)

The demand of the business units'/functional areas' pools against the Group incentive pool and, in turn, the bottom-up demand of individual awards on the business unit/function pools is determined using a similar framework as the Group incentive pool.

Where the business unit/functional areas' demand exceeds the determined Group top-down pool, a discretionary modifier will be applied by the Remuneration Committee to maintain affordability. Discretion is also specifically applied when performance is below threshold or above stretch and if any material control environment issues arise.

Individual awards based on employees' performance outcomes (Bottom-up)

The on-target individual short-term incentive award is determined with reference to a market related award outcome. Individual awards are determined based on the employee's performance rating, in the context of the overall Group and business unit/functional pool made available, and affordability.

In 2018, the approach set out was applied in respect of awards made to Executive Committee members, previous role based pay recipients and other material risk takers, together with the application of executive and Remuneration Committee discretion.

Step 1 > Group (top-down)

Step 2 > Business unit or function (middle-up)

Performance short-term incentive pool = On-target performance pool × Performance modifier

Performance measures	Weight %	Modifier Threshold 80%	Modifier On-target 100%	Modifier Stretch 120%
Revenue	20	95% of target	Short-term financial plan	105% of target
Headline earnings	50	90% of target	Short-term financial plan	110% of target
Profit after regulatory capital charge	20	70% of target	Short-term financial plan	130% of target
Organisational health (currently customer franchise health)	10	-5%	As internally defined	+5%

Step 3 > Individual (bottom-up)

Individual's short-term incentive award = On-target individual award × Business unit/function modifier × Personal modifier

Performance rating	Personal modifier On-target award %
Outstanding	200
Very strong	115 – 185
Strong	85 – 115
Good	35 – 85
Improvement needed	Ineligible for short-term incentive
Underperforming	Ineligible for short-term incentive

Long-term incentives

Long-term incentive awards, in the form of performance shares, may be awarded to eligible senior employees based on criteria set by the Remuneration Committee and in accordance with the Policy from time to time. These awards are subject to Group performance conditions which apply over a minimum performance period of three financial years, and a continued employment condition.

2017 long-term incentives

In 2017 we focused on reducing the unvested long-term share-based remuneration gap that had emerged between ourselves and our regional competitors as a result of regulatory constraints regarding our short- and long-term incentives that existed between 2014 and 2016. Concurrently, we sought to address retention risks for key employees during the Separation.

This included a performance share based long-term incentive award in 2017 and grants of restricted share awards in 2016 and 2017.

The details of the structure of and conditions of to our 2017 performance share-based long-term incentive are outlined below. The performance conditions were set cognisant of the need to provide participants with a level of confidence that achievement of these was possible, after a number of years without long-term incentives in place, and relatively low vesting outcomes before this.

Restricted share awards made in 2016 and 2017 were subject to a minimum standard of individual performance. These also included general reference to a minimum required level of Group performance and progress on the Separation for vesting to occur.

2018 long-term incentives

There were no long-term performance share awards made in 2018.

2017 long-term incentive

Number of shares awarded × **Performance share modifier** = **Number of shares vesting**

July 2017 | Financial performance period 1 Jan 2017 to 31 Dec 2019 | July 2020

		Percentage of shares vesting		
Performance measures	**Weight %**	**Below threshold 0%**	**Threshold 50%**	**Target 100%**
Compound annual growth in normalised headline earnings per share	30	–	3% per annum	10% per annum
Average normalised return on equity	30	–	14%	18%
Transformation	20	At the discretion of Remuneration Committee based on the following: • Race (SA): Achieve approved employment equity targets as detailed in the Employment Equity Plan for 2019 (measured in 2020), as submitted to the Department of Labour. • Gender (ARO): Achieve the gender targets for 2017-2019 in respect of middle and senior management.		
Separation from Barclays	20	At the discretion of the Remuneration Committee and the Separation Oversight Committee based on achievement of effective Separation by June 2020, having regard to safe, sustainable and efficient delivery.		

2019 long-term incentives

The performance conditions for the 2019 long-term incentive award granted in March are based on the Group's medium-term financial targets:

1. Grow our revenue faster, on average, than the South African banking sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters;
2. Given this growth and continued cost management, we aim to consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021; and
3. We aim to achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

In developing the performance conditions the following was considered:

- Creating a strong link between long-term incentives and our medium-term market commitments, and in turn to long-term investor returns.
- Linking incentives to overall organisational health covering people, customer and control.
- Applying long-term remuneration principles comparable to our peer group; and
- Promoting a balance between employee and shareholder value.

Awards made in 2019 will vest subject to fulfilment of the performance conditions and continued employment

(i) in equal proportions on the 3rd, 4th and 5th anniversaries from the date of grant for Executive Committee members, and

(ii) on the 3rd anniversary from the date of grant for other participants.

Dividend equivalents on unvested long-term incentive awards (to the extent that these are included in the awards) will not be paid until, and to the extent that, awards vest. These will be included into the original award at time of vesting.

Through the application of these principles and by setting appropriately stretching targets, we have aligned to our pay for performance philosophy, ensuring the promotion of shareholder value creation. Awards will only vest at stretch levels in cases of significant outperformance relative to the medium-term financial targets.

2019 long-term incentive

Number of shares awarded	×	Performance share modifier	=	Number of shares vesting
Mar 2019		Performance period 1 Jan 2019 to 31 Dec 2021		Executive Committee: 33% each Mar of 2022; 2023; and 2024 Other participants: Mar/Q2 2022 (100%)

Metric performance measures	Weight %	Measures: Threshold 10% of maximum	Measures: Target 67% of maximum	Measures: Stretch 100%
Normalised return on equity measured on a simple annual average basis over the three year performance period 2019 - 2021	30%	≥ Cost of equity + 2.75% currently equates to circa ≥16.5%	≥ Cost of equity + 4.25% currently equates to circa ≥18%	≥ Cost of equity + 6.25% currently equates to circa ≥20%
Normalised headline earnings per share (in constant currency), measured on a compound annual growth basis over the three-year performance period 2019 – 2021	30%	≥ SA nominal GDP + 1% currently equates to circa >7%	≥ SA nominal GDP + 5% currently equates to circa >11%	≥ SA nominal GDP + 9% currently equates to circa >15%
Normalised cost-to-income ratio as reported in the 2021 full year annual financial statements	30%	≤56.5%	≤54.5%	≤52.5%
Organisation health (People, Customer and Control)	10%	At the discretion of the Remuneration Committee, based on an assessment of people, customer and control environments.		

GDP – Gross domestic product.
A straight line vesting profile occurs between threshold and target, and between target and stretch.

Illustrative potential total remuneration outcomes for an executive director/prescribed officer, based on a single figure reporting basis

The chart alongside illustrates the potential total remuneration outcomes (on a single figure basis) for an executive director/prescribed officer, as envisaged under the Remuneration Policy.

The illustration is based on three potential scenarios of performance, namely:

- Below Threshold;
- On-Target; and
- Stretch.

The assumptions used in arriving at these hypothetical illustrations are set out alongside.

A key principle that is demonstrated by the scenarios is that the relative weighting of variable remuneration in the total remuneration mix, and the exposure to the Absa share price (via deferred short-term incentives and long-term incentives) increases as total remuneration increases. The scenarios also illustrate that total remuneration can increase substantially for Stretch performance (which would be significant outperformance), relative to On-Target outcomes. This demonstrates alignment to the principles of pay for performance and alignment of shareholder and executive interests.

There is no entitlement to receive any element of remuneration (other than cost-to-company, which is a contractual payment), and nor is there any guarantee of awards being made or vested, as may be applicable, at the illustrative levels. Similarly, the outcomes will, in reality, reflect the combination of a range of group, business and individual performance outcomes over the short and long term. The scenarios therefore illustrate a combination of award outcomes (for short-term incentives), and vesting outcomes (for long-term incentives). The scenarios do not include any adjustment for the possible application of discretion (either positive or negative) by the Remuneration Committee.

1 At **Below Threshold**, the executive director/prescribed officer would only receive his/her cost-to-company remuneration[1]. In this scenario, either:

- the Group and/or business unit/functional performance metrics that would give rise to the allocation of any short-term incentive award and the Group performance conditions that would give rise to the vesting of a long-term performance share incentive (long-term incentive[2]) would not have been met; or
- in the case of short-term incentive, the individual would not have met the individual performance requirements to qualify for a short-term incentive award.

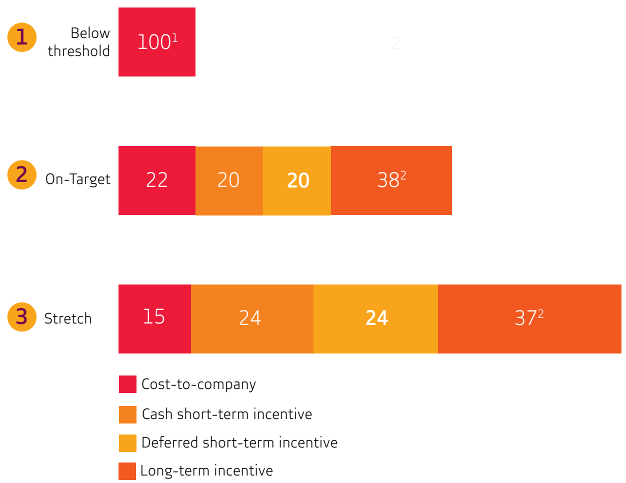
2 At **On-Target**, the executive director/prescribed officer would receive his/her cost-to-company remuneration and:

- Would receive a short-term incentive award at the on-target level, which assumes that the Group, business unit and individual targets in this regard were met, and no discretionary adjustment was applied to the pool; and
- The long-term incentive[2] award vested at the on-target value, based on all Group performance measures being achieved in line with the targets set for an on-target vesting outcome.

3 At **Stretch**, the executive director/prescribed officer would receive his/her cost-to-company remuneration and:

- Would receive a short-term incentive award based on Group, business and individual performance outcomes occurring at the stretch level, thus giving rise to an award for significant overall outperformance; and
- The long-term incentive[2] award vested at the stretch level, based also on consistent outperformance over the full performance period applicable to the award.
- An outcome at stretch for all remuneration outcomes would be extremely unlikely to occur, and therefore represents a hypothetical maximum on total remuneration.

Remuneration mix (%) for each outcome



[1] Only cost-to-company will be payable in the event of Below Threshold performance.

[2] Long-term incentive awards are reported in the single figure basis when the performance period ends and the awards vest. Single figure remuneration therefore includes long-term incentives from previous financial years that vest in the current year/where the performance period ends in the current year.

Risk and control functions' remuneration

In terms of Regulation 43 of the South African Banks Act, the remuneration of risk, compliance, legal and internal audit employees is determined independently within their function, within the parameters of the allocated pool made available to the business in which they operate.

Project-based incentives

The Remuneration Committee may, from time to time, approve the implementation of specific project-based incentive plans, to support the delivery of key strategic and business projects. These incentives are typically awarded in cash, subject to achievement of specific project objectives, and are subject to continued employment during the period for which the plans apply. The continued employment condition may, in some instances, extend beyond the completion date of the project, to ensure ongoing retention of key skills or to ensure project outcomes are effectively embedded.

In all instances, appropriate governance regarding assessment of project outcomes, including the sustainability of these post-completion, is included as part of the programme arrangements.

No project based incentives were awarded or implemented in 2018.

Members of the Executive Committee do not participate in project-based incentives.

Proposed Absa Share Incentive Plan

We intend to adopt, subject to shareholder approval, a new share plan to govern the awarding and administration of share-based remuneration – the Absa Group Share Incentive Plan. The purpose of the Share Incentive Plan is to:

- provide employees with the opportunity to share in the longer term success of the Group while providing alignment between the interests of the employees participating in the Share Incentive Plan and those of shareholders; and
- provide a retention mechanism to retain scarce and critical skills.

It will be used primarily to incentivise employees participating in the Share Incentive Plan to deliver the Group's business strategy over the long term.

Awards will be made in the form of conditional shares, in one or more (depending on employee eligibility) of the following categories:

1. **Performance awards** subject to Group performance conditions, which will be approved annually by the Remuneration Committee for each award, and will be included in the award letter to participants.
2. **Deferred awards** which will be made in respect of deferred short-term incentives.
3. **Retention awards** which include awards made:
   - on an exceptional basis to key and critical talent (excluding executives, who are not eligible to receive such awards); and
   - in respect of buy-out awards made to new joiners in respect of awards forfeited in their previous employer as a result of joining the Group.

Executives appointed from outside of the Group may be eligible to receive retention awards to replace awards made by their previous employer that they would forfeit as a result of joining Absa. This would be subject to appropriate approval in advance, with consideration (and related adjustment of the buy-out value) of any performance conditions that might apply on the forfeited awards. This approach would similarly apply for all other buy-outs.

Share Incentive Plan participants will have no shareholder rights, including voting and dividend rights, prior to awards vesting and being settled to the participant. Participants may, however, be eligible to receive dividend equivalent shares on the vesting date of each award. For performance awards, dividend equivalents will only apply to the extent that the original award (or part thereof) vests.

The proposed Share Incentive Plan is aligned to market practice and will be applied, subject to shareholder approval, for awards granted from 2020 onwards.

The Share Incentive Plan is tabled for consideration and approval by shareholders at the annual general meeting on 4 June 2019.

The salient features are set out in Resolution 6 on page 5 of the 2019 Notice of annual general meeting.

Service contracts and termination arrangements for executive directors' and prescribed officers

Payments in the event of termination take into account the individual circumstances, including the reason for termination, individual performance, contractual obligations and the terms and conditions of the short-term or long-term incentive plans that apply.

Notice periods
Executive directors and prescribed officers have a six-month notice period, with their potential compensation in relation to termination of service being six months' fixed remuneration. They may be required to work during the notice period, or may be placed on gardening leave subject to the requirement that they may be called upon to render services during this period, where relevant. If they are not required to work, and where there is no competitive or commercial imperative to keep the individual on gardening leave, compensation in lieu of notice may be made.

Treatment of role based pay
Until its discontinuation in October 2018 (for the Executive Committee and prescribed officers) and November 2018 (for material risk takers), role based pay was paid during the notice period and/or gardening leave, but did not apply where Absa elected to make payment in lieu of notice (unless otherwise required by law).

Treatment of annual short-term incentive on termination
There is no automatic entitlement to a short-term incentive payment on termination, but it may be considered at the Remuneration Committee's discretion and subject to performance measures being met. Awards may be prorated for service. No short-term incentive is payable in the case of underperformance, gross misconduct or resignation.

Treatment of unvested deferred short-term incentive and long-term incentive awards
Unvested share and cash awards will lapse if the executive director or prescribed officer resigns or their employment is terminated for gross misconduct. In the case of death, or if an eligible leaver (leaving due to injury, disability or ill health, retirement, redundancy) he/she would continue to be eligible to be considered for unvested portions of deferred awards – subject to the rules of the relevant plan – unless, in exceptional cases, the Remuneration Committee determines otherwise. Share based awards and their cash equivalents are subject to malus and clawback provisions which enable the Remuneration Committee to reduce the vesting level (including to nil) or to recover amounts already paid.

In an eligible leaver situation, deferred short-term incentive awards may be considered for release in full on the scheduled vesting dates (equal tranches on 1st, 2nd and 3rd anniversary of award date) unless, in exceptional circumstances, the Remuneration Committee determines otherwise.

Restricted share awards which have already been granted would, in an eligible leaver situation, be subject to vesting on the original vesting date unless in exceptional circumstances, the Remuneration Committee determines otherwise.

Unvested long-term incentive awards will remain subject to Group performance targets and will vest (subject to these) on the normal vesting date, where eligible leaver treatment applies.

Minimum shareholding requirements

Executive Committee members should have unencumbered shareholding of at least 150% of their cost-to-company (on a pre-tax basis) while the CEO should hold at least 300%.

Executive Committee members (including the CEO) have five years from the date of their appointment to the Executive Committee, or by 2021 for those who were Executive Committee members in 2016, to build up this level of personal shareholding.

Adjustments to variable remuneration for adverse risk and conduct matters

The Remuneration Review Panel (a sub-committee of the Executive Committee) follows an approved process for considering risk and conduct matters and the associated consequences to be reflected in individual incentive decisions. When considering individual responsibility, they take a variety of factors into account, such as whether the individual:

- was solely responsible for the event, or whether others were also directly or indirectly responsible;
- was aware (or could reasonably have been expected to be aware) of the failure;
- took or missed opportunities to take adequate steps to address the failure; and/or
- by virtue of seniority and influence could be deemed indirectly responsible.

Malus
All deferred and long-term incentive awards are subject to continued employment and malus provisions. We may reduce the level of vesting of these awards, including to nil, where (but not limited to):

- a participant deliberately misled the Group, the market and/or shareholders in relation to the financial performance of the Group;
- a participant caused harm to our reputation, or where their actions amounted to misconduct, incompetence, poor performance or negligence;
- there is a material error in the Group's financial statements which results in restatement;
- there is a material failure of risk management in the Group; and/or
- there is a significant deterioration in the Group's financial health.

Where appropriate, the remuneration of individuals who were directly or indirectly accountable for an event may be adjusted. This includes reductions in current year short-term incentives and in vesting levels of deferred and/or long-term awards through the application of malus.

Certain business unit/functional incentive pools and/or individual awards could be reduced after considering risk and conduct events within the business.

Clawback
Clawback applies to any variable remuneration awarded (including long-term incentives) to a material risk taker from 1 January 2015 onwards. The Remuneration Committee may apply clawback at any time during the three year period from the date on which variable remuneration vests, if:

- there is reasonable evidence of employee misbehaviour or material error; and/or
- the Group or business unit/function suffers a material risk management failure, taking account of the individual's involvement and responsibility for that incident.

Remuneration Implementation Report

Group's financial performance and remuneration outcomes

In line with improving returns to shareholders and accelerating delivery of the organisation's growth strategy, we consider financial performance holistically and monitor progress against our objectives when considering our pay decisions.

We considered the following salient features of Group normalised performance in making remuneration decisions in 2018:

- Group headline earnings growth of 3% to R16.1bn (3% growth in South Africa and 6% growth in Absa Regional Operations (10% in constant currency)).
- A slight increase in return on equity to 16.8% from 16.5% in the prior year.
- Revenue growth of 4%, an improvement from 2017;
- An increase in the cost-to-income ratio to 57.7% from 56.7% in the prior year reflecting negative operating Jaws (albeit improving year-on-year).
- A 5% increase in the Group's profit after regulatory capital charge to R2.7bn.

The decisions on total remuneration were made in context of the aforementioned performance achieved and customer franchise health.

The outcome of our decisions was reflected in a final total Group short-term incentive pool for 2018 of R2.4bn, which was 2% lower than the 2017 pool of R2.5bn.

The short-term incentive pool allocated to the Executive Committee members amounted to R91m in 2018 (2017 pool of R95m).

We reviewed our variable pay outcomes relative to our peers (including consideration of relative performance), and internally to ensure fairness in the allocation of our incentive pools. The Remuneration Committee is satisfied that the outcomes are appropriate, based on the performance of the Group.

Fair and responsible remuneration

In our South African business, we apply a minimum cost-to-company level of R155 160 which is higher than the national minimum and living wage. Our internal Gini coefficient, which provides an indication of our remuneration differentials, improved to 0.41 for 2018, from 0.45 in 2017. This was influenced by the allocation of higher on-average increases to more junior employees. It is noted that the fact that we did not make any long-term incentive or other share-based awards (other than in respect of short-term incentive deferrals) to the senior employee population in 2018 also influenced this improvement. If the value of long-term incentive awards and restricted share awards made in 2017 is removed from the 2017 calculation to allow for the like-for-like comparisons, the comparable Gini co-efficient for 2017 is 0.43. This shows a like-for-like improvement in 2018 relative to 2017.

Work to determine the Group's minimum fixed remuneration and to assess the extent of any pay differentials in our Absa Regional Operations will be undertaken in 2019 and 2020.

Analysis of variances in remuneration that cannot be explained on the basis of role, skill, experience, performance and market competitiveness or other objective factors was performed, and this influenced the salary increases awarded on 1 April 2019.

The increases to bargaining unit employees are typically higher on-average than those awarded to managerial and executive employees in each cluster or country. This aligns to our fair and responsible remuneration objectives and the principle that a greater proportion of remuneration of senior employees should be based on performance. This may be impacted by local business performance considerations, and affordability.

Increases awarded to bargaining unit employees in our various countries of operation (including South Africa) were determined through a collective bargaining process. In South Africa, our total settlement with SASBO, the recognised trade union, was an overall increase pool of 7.2%.

Average increases of 4% and 6% were implemented on 1 April 2019 for executives and senior managers respectively in South Africa, differentiated to take account of market relativity and performance. Executives based in operations outside of South Africa had their increases determined based on local market conditions.

Executive directors and prescribed officers

The Group's executive directors and prescribed officers are designated as such by the Board. In the case of executive directors, they are subject to appointment by shareholders in their first year, and they are subject to resignation by rotation and reappointment by shareholders in the normal course. This is in accordance with the company's Memorandum of Incorporation and Companies Act requirements.

For the purpose of our 2018 Remuneration Implementation Report, the following approach to reporting has been applied:

- For executive directors (Maria Ramos, Peter Matlare and Jason Quinn) and prescribed officers (Nomkhita Nqweni) who served for the full year, disclosures cover all remuneration received in 2018.
- For executive directors (David Hodnett) and prescribed officers (Arrie Rautenbach, Charles Russon, Temi Ofong and Mike Harvey) who served for part of the year, the disclosures are for the period served as either an executive director or prescribed officer. The extent of the pro-rating for service is set out for each disclosure and applies in respect of fixed remuneration only. Short-term incentives are disclosed at full value at award.
- Future-based awards are disclosed for those who will be in their respective roles as executive directors or prescribed officers in 2019.

Analysis of our 2018 financial performance Page 39

Discontinuation of role based pay and reconstitution of the total remuneration mix

Regulatory deconsolidation from Barclays allowed for the alignment of our remuneration practices and the composition of our total remuneration mix to local and regional market practice. The discontinuation of role based pay and the recalibration of the various elements of the remuneration mix based on market benchmarking, together with the implementation approach we have followed, has resulted in a shift in the composition (and absolute levels) of our total remuneration mix between 2017 and 2019.

Role based pay was discontinued for Executive Committee members (and Mike Harvey and Temi Ofong, who were prescribed officers at the time) from 1 October 2018. Role based pay was previously part of fixed remuneration, and was addressed within the total remuneration mix (which was also informed by the application of market benchmarks) as follows:

- A portion was added to cost-to-company. The structure of cost-to-company (and particularly the allocation of elements within this to cash salary and benefits) was adjusted accordingly.
- A portion was included into short-term incentive potential.
- A portion was included into long-term incentive potential.

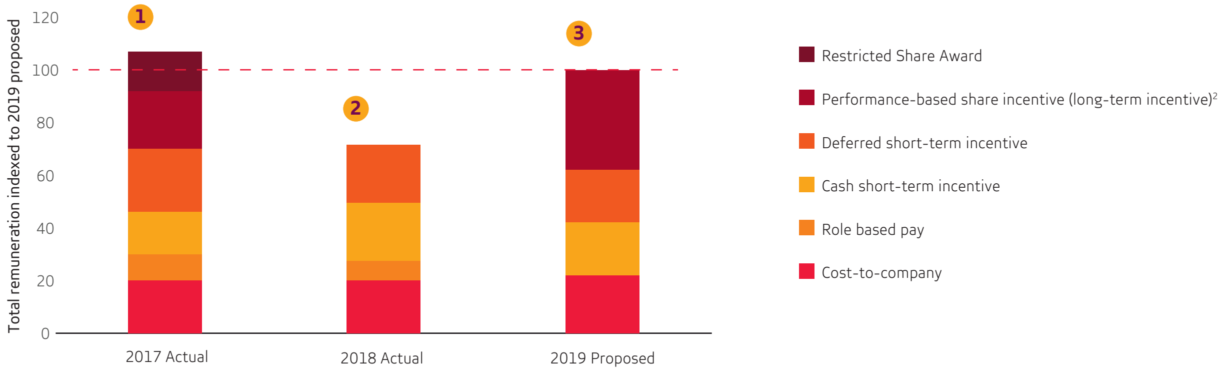
The effect of the above was to expose a greater portion of what was previously delivered as fixed remuneration to performance, and in the case of deferred short-term incentives and long-term incentives, to the Absa share price over the medium term.

Total remuneration potential was set based on detailed market benchmarking and mindful of the performance of the Group relative to that of competitors.

32 material risk takers (including members of the Executive Committee) received role based pay during 2018.

The chart below shows the progression of our remuneration model and resultant pay mix, from 2017 to the envisaged pay mix model from 2019 onwards.

Remuneration elements progression[1]



[1] The chart above references the proposed 2019 structure which is shown at '100'.
[2] Vesting determined based on future performance.

The allocation of restricted share awards in 2017 resulted in a higher level of total remuneration than was evident in subsequent years. There was a reduction in the overall level of total remuneration in 2018 as no long-term incentive awards or restricted share awards were allocated. The 2019 proposed arrangements are aligned to the new Policy.

It is highlighted that the chart is illustrative of the general position that applies, and there is cognisance that individual executive directors and prescribed officers will be subject to different remuneration mix composition, based on the relevant benchmarks for their roles.

Further details of the main remuneration features of each year are:

1. In 2017, the Group was subject to the CRD-IV requirements and role based pay was a feature of the remuneration for Executive Committee members and most material risk takers.

   Restricted Shares without specific Group performance conditions, but with a minimum standard of Group and individual performance, were awarded to increase the retention of key individuals through the Separation.

   Long-term incentive awards with Group performance conditions were issued, which sought to deepen the extent of unvested deferred variable remuneration, and to increase the overall competitiveness of our remuneration relative to competitors.

2. Role based pay was paid for nine months for Executive Committee members, or ten months for other material risk takers. Role based pay was partly incorporated into fixed pay, and to a greater extent into short- and long-term incentive potential.

   No long-term incentive awards were made in 2018.

3. Our remuneration mix is aligned to market practice, following the removal of role based pay. A greater proportion of the total remuneration mix is subject to performance, and in the case of long-term incentives, to future Group performance, in addition to continued employment.

   Long-term incentives awards were made in the first quarter of 2019 and are disclosed on page 61.

Fixed remuneration

The comparative fixed remuneration paid during 2017, 2018, and for 2019 for executive directors and prescribed officers is set out in the table alongside. Total fixed remuneration for 2018 includes all role based pay paid during the year, until its discontinuation from 1 October 2018 for executive directors, prescribed officers and other members of the Executive Committee.

The values reflected for cost-to-company in 2019 are based on market benchmarks and represent the only element of fixed remuneration payable – all other remuneration paid to these individuals will be in the form of variable remuneration. The cost-to-company values applied with effect from 1 October 2018, and will remain in force until reviewed during the payround in 2019/2020, for implementation from 1 April 2020.

The earliest practical date, following regulatory deconsolidation, for the discontinuation of role based pay and movement towards increased incentive-based pay was 1 October 2018. The development of policy changes, including the supporting models, required substantial involvement of, and guidance by, the Remuneration Committee and the Directors' Affairs Committee, as well as communication with executives and senior employees involved.

	Total fixed pay (including role based pay) for 2017	Total fixed pay (including role based pay) for 2018[1]	2019[2,3] Cost-to-company
Maria Ramos	14 959 312	13 814 435	**10 000 000**
Peter Matlare	10 009 312	9 307 074	**7 250 000**
Jason Quinn[4]	5 309 313	5 826 350	**6 000 000**
Arrie Rautenbach[1]		5 456 624	**7 250 000**
Charles Russon[1]		931 325	**6 000 000**
Mike Harvey[1,5]		4 123 034	
Nomkhita Nqweni	7 509 312	7 053 092	**5 500 000**
Temi Ofong[1,5]		4 046 220	

[1] Amounts reflected in the table are prorated for time served as an executive director or prescribed officer during the year. Amounts reflected for Arrie Rautenbach apply from 9 April 2018 to 31 December 2018. Amounts reflected for Charles Russon apply from 5 November 2018 to 31 December 2018 (and therefore does not include any element of role based pay). Amounts reflected for Mike Harvey and Temi Ofong apply from 9 April 2018 to 31 October 2018.
[2] Cost-to-company for 2019 shown for individuals who will be executive directors or prescribed officers during 2019.
[3] No increases to be effective 1 April 2019 were granted to members of the Executive Committee. The cost-to-company amounts will therefore apply until reviewed as part of the 2019/20 Payround process, for implementation 1 April 2020. This will not apply in respect of Maria Ramos, who retired on 28 February 2019.
[4] Jason Quinn did not receive any role based pay.
[5] Mike Harvey and Temi Ofong ceased to be prescribed officers from 31 October 2018. Accordingly, no 2019 cost-to-company amounts are reflected.

Short-term incentives

The Board approved a final Group short-term incentive pool of R2.4bn in 2018 (excluding formulaic sales incentives) after consideration of the Group's performance against the following Board approved measures.

Revenue
R75.7bn
up 4%

Headline earnings
R16.1bn
up 3%

Profit after regulatory capital charge
R2.7bn
up 5%

Our customer franchise health was below our expectations

The level of our short-term incentives have been influenced by the Group's weaker performance relative to peers over the past several years. Role-based pay, which resulted in higher levels of fixed remuneration for recipients, was also a factor. Under the revised short-term incentive arrangements (page 52) we expect variable remuneration to increase over time, provided that the performance of the Group improves in line with the medium-term financial targets as communicated. This will result in more competitive variable remuneration in the context of more competitive performance.

The Board approved a final Group short-term incentive pool of R2.4bn in 2018 (excluding formulaic sales incentives) after consideration of the Group's performance against the following Board approved measures.

The short-term incentive pool was determined as follows:

On-target performance pool	×	Performance modifier[1]	=	Approved performance short-term incentive pool	+	Separation and other discretionary short-term incentive pools[2]	=	Total Group short-term incentive pool		2017 total Group short-term incentive pool
R2 363m		96%		R2 268m		R179m		R2 448m		R2 506m

[1] Performance modifier includes discretionary adjustments as determined by the Remuneration Committee.
[2] Mainly comprises the short-term incentive pool related to managing Separation activities.

Discretion was applied and approved by the Remuneration Committee, to ensure that short-term incentive outcomes were consistent with the overall performance of the Group, taking into account both financial and non-financial performance.

The Separation and other discretionary short-term incentive pool is incremental to the Performance pool of R2.3bn and has been allocated to employees who spend their time working wholly or substantially on the separation from Barclays or those who participate in approved standalone business unit plans. These individuals do not participate in the Group performance pool. The Separation incentive pool falls away on completion of the Separation which is anticipated to be in mid-2020.

No Executive Committee members participate in the Separation incentive pool with Separation activities currently forming part of their day-to-day objectives.

Vesting of share-based long-term incentive awards in 2018

No performance share-based long-term incentive awards vested in 2018, nor did any long-term incentive award performance period pertaining to performance share-based long-term incentives end in 2018. Accordingly, no amount is reflected in the 2018 financial year single total figure on each individual's pages (62 to 69). The third and final performance year for the 2017 long-term incentive awards ends on 31 December 2019. These awards will be reflected in our remuneration disclosures in 2020 for the 2019 financial year.

Historical awards made to executive directors and prescribed officers and amounts paid as a result of the vesting of these are set out in the share and cash-based payments tables on pages 29 to 35 of the 2018 Remuneration Report.

Long-term incentives awarded in March 2019 (with Group performance targets)

Long-term incentive awards were granted in March 2019 to executive directors, prescribed officers and other material risk takers as part of the revised Remuneration Policy, as well as to those other employees to whom a long-term incentive was committed (including where this formed a part of their terms when joining the Group).

The awards made to executive directors and prescribed officers in 2019 are set out below.

	At grant on-target award R '000	At grant maximum award R '000	On-target number of shares[1]	Maximum number of shares[1]
Executive directors				
Peter Matlare	R9 750	R14 625	56 299	84 449
Jason Quinn	R10 000	R15 000	57 743	86 615
Prescribed officers				
Arrie Rautenbach	R10 250	R15 375	59 186	88 780
Charles Russon	R7 000	R10 500	40 420	60 630
Nomkhita Nqweni	R8 000	R12 000	46 194	69 292

[1] Based on a share price of R173.18 calculated using the 20-day volume-weighted average price to 15 March 2019.

The final value of any vesting will be based on the extent to which the performance conditions have been fulfilled, and on the Absa share price at the time of vesting. The Group performance targets applicable to this award are set out on page 53.

Awards are granted at maximum value which is then converted to a number of shares on grant date. The number of shares to vest is then subject to moderation based on the outcomes against defined Group performance measures and targets as assessed at the end of the performance period. An on-target outcome, based on the fulfilment of the relevant performance conditions, will result in awards vesting (all things being equal) at 67% of the maximum award. Performance below the threshold level for a particular performance measure will result in the relevant weighted portion of the award to which that measure relates lapsing.

Dividend equivalents on unvested long-term incentive awards will not be awarded until, and to the extent, that awards vest and will be rolled up into the original award (subject to the relevant performance conditions) on vesting.

Maria Ramos Chief Executive Officer

Summary of 2018 financial performance

On a normalised basis, the Group's headline earnings grew 3% to R16 128m from R15 623m and diluted headline earnings per share rose 4% to 1 910.0 cents from 1 845.4 cents. The normalised return on equity was 16.8% from 16.5% and our return on assets was 1.34% from 1.39%. Revenue grew 4% to R75.7bn, with net interest income and non-interest income rising 3% and 5%, respectively. The Group's net interest margin on average interest-bearing assets decreased to 4.64% from 4.83%, largely due to adopting IFRS 9. Gross loans and advances to customers grew 13% to R872bn, while deposits due to customers rose 7% to R736bn. With operating expenses growing 5%, the normalised cost-to-income ratio increased to 57.7% from 56.7%, and pre-provision profit rose 1% to R32.0bn. In constant currency, pre-provision profit grew 2% and headline earnings 4%. Credit impairments fell 10% to R6.3bn, resulting in a 0.73% credit loss ratio from 0.87%. The Group's normalised net asset value per share increased 4% to 11 985 cents and it declared a 4% higher full year dividend per share of 1 110 cents.

Summary of key objectives

Business performance was generally in line with the approved short-term plan, and significant progress was made in regard to Separation. Maria has led the development of the new Absa strategy and oversaw the rebranding of the business in South Africa and the development of the foundations for this in the Absa Regional Operations. We achieved regulatory deconsolidation from Barclays during the year. The Group has made significant progress in regard to the delivery of the Separation projects. Maria led the reconfiguration of the Group Executive Committee. This has resulted in a number of key appointments being made at the next level of the organisation, to bolster the employee benchstrength. Better results could have been delivered in relation to our customer franchise health and our people and culture journey. Similarly, there could have been greater pace of development of the Absa strategy post the approval by the Board in December 2017.

Short-term incentive outcome

Maria's short-term incentive of R15 900 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee, based on an overall assessment of organisational health.
- Maria's own performance, as described above.

Total remuneration (Full year)	2017 Total R	**2018 Total[2] R**
Total fixed remuneration[1]	**14 959 312**	**13 814 435**
Cost-to-company	8 459 312	8 939 435
Role based pay	6 500 000	4 875 000
Total short-term incentives	**15 000 000**	**15 900 000**
Non-deferred cash award	3 000 000	7 950 000
Non-deferred share award	3 000 000	–
Deferred cash award	4 500 000	3 975 000
Deferred share award	4 500 000	3 975 000
Total long-term incentives	**8 000 000**	–
Value at grant of restricted awards[2, 3]	8 000 000	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**37 959 312**	**29 714 435**

1 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Peter **Matlare**

Deputy Chief Executive and Chief Executive: Absa Regional Operations

Summary of 2018 financial performance

Headline earnings grew 9%, or 13% in constant currency, to R3 218m, largely due to 38% lower credit impairments. Pre-provision profits increased 3%. Revenue grew 5% to R16 323m. Operating costs grew 6% to R9 535m, resulting in a 58.4% cost-to-income ratio. RBB earnings increased 26% to R844m, or 29% in constant currency, given positive operating leverage and 14% lower credit impairments. CIB earnings grew 7%, or 11% in constant currency, to R2 508m as its credit impairments dropped 91%. Absa Regional Operations accounted for 19% of total normalised headline earnings excluding the Group centre and produced a 18.5% Return on equity.

Summary of individual objectives

Peter ensured strong focus on growth and Separation in 2019. Further focus in respect of costs is required. Improved risk metrics and collections aided in the delivery of improved headline earnings for Absa Regional Operations. There has been a strong foundation laid in 2018 for the Separation projects and brand initiatives in Absa Regional Operations. The control environment has improved. Peter made a strong contribution to the Parliamentary Process on Land and took the lead in the Group on the transformation agenda. Peter has built strong relationships with regulators in various Absa Regional Operations countries.

Short-term incentive outcome

Peter's short-term incentive of R11 010 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Overall performance of the Absa Regional Operations.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Peter's own contribution, as described above.

Total remuneration (Full year)	2017 Total R	**2018 Total[1] R**
Total fixed remuneration[1]	**10 009 312**	**9 307 074**
Cost-to-company	6 509 312	6 682 074
Role based pay	3 500 000	2 625 000
Total short-term incentives	**10 000 000**	**11 010 000**
Non-deferred cash award	2 000 000	5 505 000
Non-deferred share award	2 000 000	–
Deferred cash award	–	–
Deferred share award	6 000 000	5 505 000
Total long-term incentives	**–**	**–**
Value at grant of restricted awards[2, 3]	–	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**20 009 312**	**20 317 074**

1 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package.
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018. Peter did not receive a restricted share award in 2017
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Jason **Quinn** Financial Director

Summary of 2018 financial performance

On a normalised basis, the Group's headline earnings grew 3% to R16 128m from R15 623m and diluted headline earnings per share rose 4% to 1 910.0 cents from 1 845.4 cents. The normalised return on equity was 16.8% from 16.5% and our return on assets was 1.34% from 1.39%. Revenue grew 4% to R75.7bn, with net interest income and non-interest income rising 3% and 5%, respectively. The Group's net interest margin on average interest-bearing assets decreased to 4.64% from 4.83%, largely due to adopting IFRS 9. Gross loans and advances to customers grew 13% to R872bn, while deposits due to customers rose 7% to R736bn. With operating expenses growing 5%, the normalised cost-to-income ratio increased to 57.7% from 56.7%, and pre-provision profit rose 1% to R32.0bn. In constant currency pre-provision profit grew 2% and headline earnings 4%. Credit impairments fell 10% to R6.3bn, resulting in a 0.73% credit loss ratio from 0.87%. The Group's normalised net asset value per share increased 4% to 11 985 cents and it declared a 4% higher full year dividend per share of 1 110 cents.

Summary of individual objectives

Jason's portfolio grew in 2018, with the addition of Corporate Real Estate Services (CRES) and Procurement (which while stabilised, requires continuous improvement). Jason delivered a very strong performance during the year, contributing to the Group's engagement with shareholders. Planning and reporting were improved during the year. His contribution to the formulation and articulation to shareholders of Absa's strategy and medium-term targets was of a high standard. Positive feedback has been received from shareholders in the context of significant engagements during 2018. Jason successfully managed the transition of Absa's auditors following the offboarding of KPMG. There has been improvement in the articulation of target capital and liquidity targets with the Group Risk and Capital Management Committee. Jason also led the conclusion of the inaugural offshore tier 2 offering, post regulatory deconsolidation from Barclays. The Separation process has been well handled, including managing relationships with key stakeholders. Jason has been a valuable contributor to the Board and to the Executive Committee.

Short-term incentive outcome

Jason's short-term incentive of R11 796 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Jason's own performance, as described above, which includes recognition for the growth in his portfolio and responsibilities during the year.

Total remuneration (Full year)	2017 Total R	**2018 Total R**
Total fixed remuneration[1]	**5 309 313**	**5 826 350**
Cost-to-company	5 309 313	5 826 350
Role based pay	–	–
Total short-term incentives	**8 000 000**	**11 796 000**
Non-deferred cash award	1 600 000	5 898 000
Non-deferred share award	1 600 000	–
Deferred cash award	2 400 000	2 949 000
Deferred share award	2 400 000	2 949 000
Total long-term incentives	**3 000 000**	**–**
Value at grant of restricted awards[2, 3]	3 000 000	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**16 309 313**	**17 622 350**

[1] Jason was not a recipient of role based pay.
[2] Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
[3] No restricted share awards were allocated in 2018.
[4] No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Arrie Rautenbach Chief Executive: RBB South Africa

Summary of 2018 financial performance

Headline earnings increased 2% to R8 880m, due to 10% lower credit impairments as pre-provision profits declined 2%. Revenue grew 2% to R43 591m, with non-interest income increasing 5%. Operating costs rose 5% to R25 770m, resulting in a 59.1% cost-to-income ratio from 57.4%. The credit loss ratio improved to 0.94% from 1.10%. RBB South Africa generated a return on regulatory capital of 24.0% and constituted 53% of total normalised headline earnings excluding the Group centre.

Summary of individual objectives

Arrie was appointed as a prescribed officer on 9 April 2018, when he assumed the role of Chief Executive, RBB. Arrie led the positioning of RBB to investors. He directed the development, approval and implementation of the redesigned RBB target operating model. Good progress has been made in this regard during 2018. Work has progressed on getting the transactional banking franchise back to health with further improvement required in this regard in 2019. Similarly, slow progress has been made on regaining customers and on improving the customer experience. Further work in this regard is required in 2019. Arrie demonstrated strong leadership of the RBB franchise, and there has been good work done on equality and diversity, especially at the leadership level.

Short-term incentive outcome

Arrie's short-term incentive of R11 305 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the RBB financial results.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Arrie's own performance, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**5 456 624**
Cost-to-company	4 262 180
Role based pay	1 194 444
Total short-term incentives	**11 305 000**
Non-deferred cash award	5 652 500
Non-deferred share award	–
Deferred cash award	–
Deferred share award	5 652 500
Total long-term incentives	**–**
Value at grant of restricted awards[2, 3]	–
Value of long-term incentives vesting[2, 4]	–
Total remuneration	**16 761 624**

1 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package, and for the period as a prescribed officer.

2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.

3 No restricted share awards were allocated in 2018.

4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Nomkhita **Nqweni** Chief Executive: WIMI

Summary of 2018 financial performance

Headline earnings grew 3% to R1 268m, while earnings from continuing business lines increased 8% to R1 195m. Gross operating income grew 10% to R6 869m and operating costs decreased 1% to R3 578m. Life insurance earnings grew 4% to R870m. The embedded value of new business increased 15%. Investment Cluster earnings declined 6%, largely due to margin compression since assets under management grew 1% to R337bn. Short-term insurance earnings grew 32% to R299m. South Africa underwriting margins increased to 9.6%. WIMI's South Africa earnings increased 9% to R1 326m, while Africa Regions reported a loss of R58m. WIMI's Return on equity improved to 21.7% and it generated 8% of total earnings excluding the Group centre.

Summary of key objectives

Nomkhita had a strong year overall in 2018. Further focus is required on end-to-end integration with Retail and Business Banking. The formulation and implementation of the strategy in this regard, which includes resolution of regulatory issues, requires further attention and will be a core focus in 2019. Attrition of key employees and issues identified in the control environment also require further attention in 2019.

Short-term incentive outcome

Nomkhita's short-term incentive of R6 000 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the WIMI financial results and progress made in regard to the business strategy for the WIMI business.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Nomkhita's own performance, as described above.

Total remuneration (Full year)	2017 Total R	**2018 Total[1] R**
Total fixed remuneration[1]	**7 509 312**	**7 053 092**
Cost-to-company	5 009 312	5 178 092
Role based pay	2 500 000	1 875 000
Total short-term incentives	**6 000 000**	**6 000 000**
Non-deferred cash award	1 200 000	3 000 000
Non-deferred share award	1 200 000	–
Deferred cash award	1 800 000	1 500 000
Deferred share award	1 800 000	1 500 000
Total long-term incentives	**3 000 000**	**–**
Value at grant of restricted awards[2, 3]	3 000 000	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**16 509 312**	**13 053 092**

[1] 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package.
[2] Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
[3] No restricted share awards were allocated in 2018.
[4] No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Charles **Russon** Chief Executive: CIB

Summary of 2018 financial performance

On a normalised basis, the Group's headline earnings grew 3% to R16 128m from R15 623m and diluted headline earnings per share rose 4% to 1 910.0 cents from 1 845.4 cents. The normalised return on equity was 16.8% from 16.5% and our return on assets was 1.34% from 1.39%. Revenue grew 4% to R75.7bn, with net interest income and non-interest income rising 3% and 5%, respectively. The Group's net interest margin on average interest-bearing assets decreased to 4.64% from 4.83%, largely due to adopting IFRS 9. Gross loans and advances to customers grew 13% to R872bn, while deposits due to customers rose 7% to R736bn. With operating expenses growing 5%, the normalised cost-to-income ratio increased to 57.7% from 56.7%, and pre-provision profit rose 1% to R32.0bn. In constant currency, pre-provision profit grew 2% and headline earnings 4%. Credit impairments fell 10% to R6.3bn, resulting in a 0.73% credit loss ratio from 0.87%. The Group's normalised net asset value per share increased 4% to 11 985 cents and it declared a 4% higher full year dividend per share of 1 110 cents.

Summary of individual objectives

Charles served in the capacity of Chief Executive: Engineering Services for the majority of the year, and he became a prescribed officer on 5 November 2018, when he was appointed to the role of Chief Executive: CIB. Charles' performance for 2018 was assessed based on his role in Engineering Services.

Good progress was made on Getting the Basics Right. WhatsApp Banking, Samsung Pay and other digitally oriented innovations were delivered through the year. Additionally, the technical development for WorkDay and the design and build of the vehicle financing functionality were delivered. The Separation project portfolio for Engineering Services was defined. There has been a positive shift in Engineering Services in key transformation categories, including an increased contribution in regard to Black women in leadership. Charles provided critical leadership and dealt with a number of challenging issues in the Engineering Services environment. There were also improvements in the control environment. A key area of focus for Charles in CIB will be to address employee attrition levels in the business. Further commentary on the CIB performance is included for Temi Ofong and Mike Harvey.

Short-term incentive outcome

Charles' short-term incentive of R8 356 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the Engineering Services delivery during the year.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Charles' own performance as Chief Executive: Engineering Services, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**931 325**
Cost-to-company	931 325
Role based pay	–
Total short-term incentives	**8 356 000**
Non-deferred cash award	4 178 000
Non-deferred share award	–
Deferred cash award	2 089 000
Deferred share award	2 089 000
Total long-term incentives	**–**
Value at grant of restricted awards[2, 3]	–
Value of long-term incentives vesting[2, 4]	–
Total remuneration	**9 287 325**

1 2018 fixed remuneration values are shown only for period as a prescribed officer.
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Mike Harvey Co-Chief Executive: CIB

Summary of 2018 financial performance

Headline earnings decreased 1% to R3 367m, primarily due to 76% higher credit impairments. Pre-provision profits grew 5% although 12% higher operating costs exceeded 8% revenue growth. Corporate earnings grew 4% to R1 171m, largely due to 11% revenue growth. Investment Bank earnings decreased 4% to R2 196m, due to 70% higher credit impairments. CIB South Africa contributed 20% of total normalised headline earnings excluding the Group centre and generated a 15.6% return on regulatory capital.

Summary of individual objectives

Mike was a prescribed officer from 9 April 2018 to 31 October 2018. During this time, he was co-Chief Executive of CIB, along with Temi Ofong. He ceased to be a prescribed officer effective 1 November 2018, subsequent to the appointment of Charles Russon as Chief Executive: CIB on 5 November 2018. Mike stepped up to the role of co-Chief Executive: CIB during a difficult time of transition for the business, which was managed within the required parameters under his co-leadership. Separation projects have progressed well under Mike's co-leadership with key milestones being met such as the delivery of a pan African payments capability.

Short-term incentive outcome

Mike's short-term incentive of R10 321 500 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the CIB performance during the year.
- A downward discretionary adjustment at pool level by the Remuneration Committee based on an overall assessment of organisational health.
- Mike's own performance as Co-Chief Executive: CIB, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**4 123 034**
Cost-to-company	2 689 701
Role based pay	1 433 333
Total short-term incentives	**10 321 500**
Non-deferred cash award	5 160 750
Non-deferred share award	–
Deferred cash award	–
Deferred share award	5 160 750
Total long-term incentives	**–**
Value at grant of restricted awards[2, 3]	–
Value of long-term incentives vestin[2, 4]	–
Total remuneration	**14 444 534**

1 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package, and for the period as a prescribed officer.
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Temi **Ofong** Co-Chief Executive: CIB

Summary of 2018 financial performance

Headline earnings decreased 1% to R3 367m, primarily due to 76% higher credit impairments. Pre-provision profits grew 5% although 12% higher operating costs exceeded 8% revenue growth. Corporate earnings grew 4% to R1 171m, largely due to 11% revenue growth. Investment Bank earnings decreased 4% to R2 196m, due to 70% higher credit impairments. CIB South Africa contributed 20% of total normalised headline earnings excluding the Group centre and generated a 15.6% return on regulatory capital.

Summary of individual objectives

Temi was a prescribed officer from 9 April 2018 to 31 October 2018. During this time, he was co-Chief Executive of CIB, along with Mike Harvey. He ceased to be a prescribed officer effective 1 November 2018, subsequent to the appointment of Charles Russon as Chief Executive: CIB on 5 November 2018. Temi stepped up to the role of co-Chief Executive: CIB during a difficult time of transition for the business, which was managed within the required parameters under his co-leadership. Separation projects have progressed well under Temi's co-leadership with key milestones being met, such as the delivery of a pan-African payments capability and progress in establishing our presence in the United Kingdom and United States of America.

Short-term incentive outcome

Temi's short-term incentive of R10 321 500 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the CIB performance during the year.
- A downward discretionary adjustment at pool level by the Remuneration Committee based on an overall assessment of organisational health.
- Temi's own performance as Co-Chief Executive: CIB, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**4 046 220[5]**
Cost-to-company[1]	2 612 887
Role based pay	1 433 333
Total short-term incentives	**10 321 500**
Non-deferred cash award	5 160 750
Non-deferred share award	–
Deferred cash award	2 580 375
Deferred share award	2 580 375
Total long-term incentives	**–**
Value at grant of restricted awards[2,3]	–
Value of long-term incentives vesting[2,4]	–
Total remuneration	**14 367 720**

[1] 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package, and for the period as a prescribed officer.
[2] Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
[3] No restricted share awards were allocated in 2018.
[4] No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.
[5] Includes a leave payout of R169 205

Past executive director

David Hodnett

David's resignation arose from a mutual separation agreement. He stepped down from the Executive Committee and as an executive director of the Group and various subsidiaries with effect from 15 May 2018. He served his notice period up to 28 February 2019 subsequent to which his employment terminated.

His remuneration from 1 January 2018 until 15 May 2018, when he ceased to be an executive director, is set out in the single figure remuneration table on page 28 of the 2018 Remuneration Report.

In accordance with the terms of the mutual separation agreement, the following was also confirmed/awarded:

- Handover and close out of major initiatives, until 31 August 2018. During this time, he was required to be available to the Group and to the individuals to whom handover was required to take place.
- Notice period of six months, to be served as gardening leave. This was from 1 September 2018 to 28 February 2019.
- Payment of fixed remuneration (cost-to-company and role based pay) until the end of his notice period on 28 February 2019.
- Payment of accrued leave up until 28 February 2019.
- Eligible leaver treatment on all unvested short- and long-term incentive awards, save in respect of the 2017 Restricted Share Award. These remain subject to the rules of the respective plans until their normal vesting date, including provisions as to malus and clawback. Long-term incentive awards and restricted shares will be subject to the outcomes of the relevant performance conditions.

David did not receive a short-term incentive award in respect of the 2018 financial year. He was not eligible for consideration for any long-term incentive awards after May 2018 and no such awards were made to him in 2018.

Details of historical share and cash awards granted to David subject to the applicable rules and conditions, while he was an executive director, are set out on pages 30 and 34 of the 2018 Remuneration Report.

Chief Executive transition 2019

Maria Ramos

Maria's contractual retirement age was 60 and she retired on 28 February 2019. Her retirement was treated consistently with the Group's policy on retirement at normal retirement age, with no additional benefits applying given her role as either an executive director or Chief Executive Officer.

Maria was awarded a short-term incentive of R15 900 000 for 2018 (page 18), delivered 50% in cash, with 50% of the award deferred in the normal course (25% into deferred shares and 25% into deferred cash). The deferred element will vest in equal tranches on the 1st, 2nd and 3rd anniversaries of the date of the grant of the awards, which was 18 March 2019.

Maria was entitled, as a consequence of her retirement, to the following:

- Automatic eligible leaver treatment, in terms of the rules of the various plans as they apply to retirement at normal retirement age, on all unvested deferred cash, deferred share and long-term incentive awards, subject to malus and claw back considerations in terms of these rules. These awards will remain in the respective plans until their normal vesting date. Long-term incentive awards will be subject to the outcomes of the relevant performance conditions. The [Remuneration Committee/Board] has confirmed that Maria has met the individual performance requirements to qualify for eligible leaver treatment on her unvested restricted share awards and these will vest in full on the normal vesting date.
- Continuation of Bankmed medical aid and conversion option on life assurance benefits without any further underwriting requirements. The cost of these will be for her own account beyond retirement date.
- Treatment of pension benefits within the defined contribution Absa Pension Fund in terms of the rules of the fund.
- Continued eligibility for banking benefits applicable to retirees (including low cost transactional banking and preferential rates on vehicle and home financing) in place at the time of retirement.
- Payment for accrued leave of R2 115 059, in respect of 55 days of untaken leave.

Maria was not eligible for a 2019 long-term incentive award, nor any consideration in lieu of such an award.

Details of Maria's unvested share and cash awards are set out on pages 29 and 34 of the 2018 Remuneration Report.

René van Wyk

René was appointed as an executive director on 1 February 2019 and as Chief Executive Officer effective 1 March 2019. He is appointed on a fixed term contract of employment for a maximum period of 12 months from 1 February 2019.

René will receive an annual cash cost-to-company of R10 000 000, which will be pro-rated should the employment contract run for a period shorter than 12 months, subject to a minimum contract period (or payment in lieu of the balance of the contract) of not less than six months.

René is not eligible to join the Absa Group Pension Fund or the Group Life or Disability plans. Similarly, he does not qualify for membership of other employee benefit arrangements such as the Bankmed medical aid.

René will be eligible for a maximum short-term incentive award of R10 000 000 (to be paid entirely in cash). This will be based on Group and individual performance and will be pro-rated in the event that the employment contract runs for a shorter period. Eligibility for participation in the short-term incentive arrangements applies only to service as Chief Executive Officer for the contracted period and therefore commences from 1 March 2019.

René is not eligible to participate in any long-term incentive plans within the Group.

Illustrative guidance on 2018 single figure remuneration award and resulting cash flows for executive directors and prescribed officers

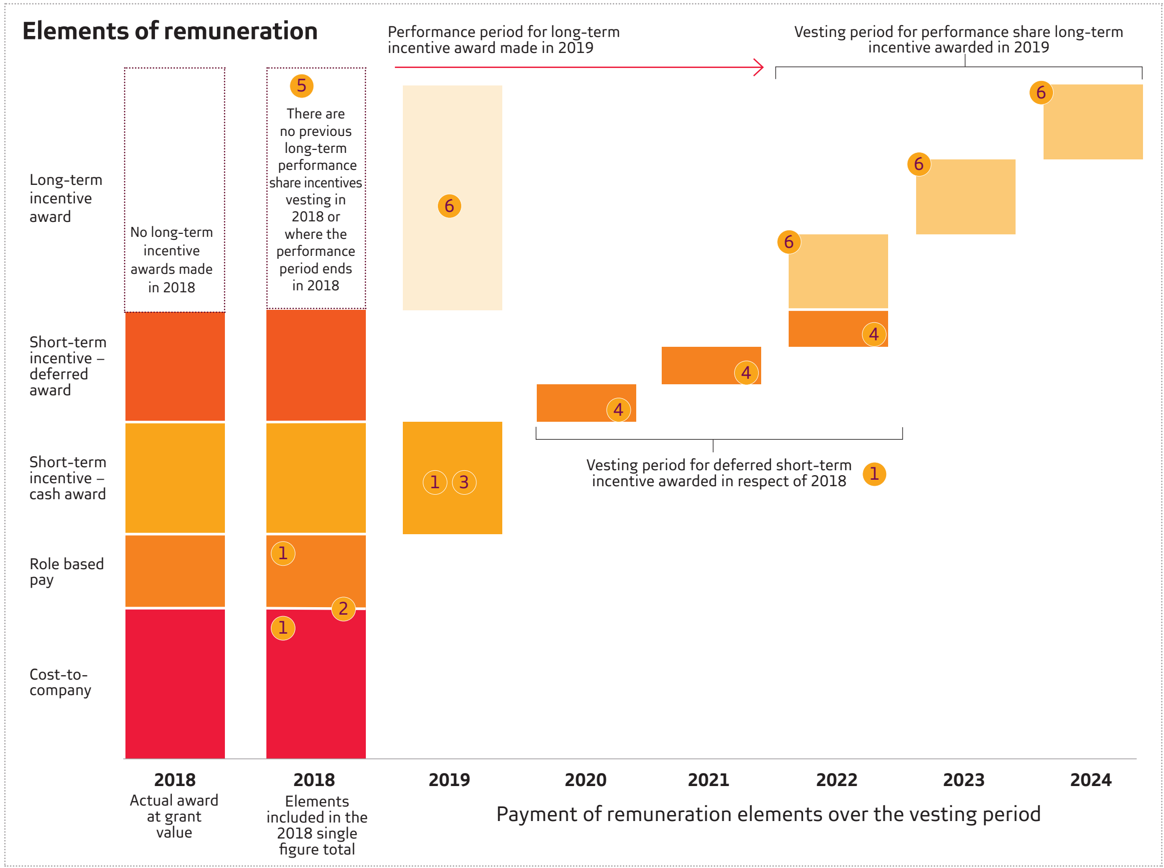
The figure provides guidance as to the determination of the single figure remuneration reported on pages 62 to 69 of this Implementation Report.

Actual award at grant value, is the sum of cost-to-company, role based pay, short- and long-term incentives awarded in, or in respect of, the performance year.

- **Cash fixed remuneration awards and the cost of benefits in lieu of cash** will have equivalent value to the value at grant.
- **Deferred share awards** will vest over the stipulated vesting period and will vest at the share price on vesting date. Dividend equivalents may apply at vesting, and will be rolled up into the final amount to vest, as dividend shares.
- **Deferred cash awards** will vest over the stipulated vesting period. Service credits may apply on the last vesting date.
- **Long-term incentive awards** vest on the vesting date subject to fulfilment of the Group performance conditions and completion of the performance and employment period. Vesting will be at the share price on vesting date, adjusted for achievement of the performance conditions. Dividend equivalents may apply at vesting (only to the extent that awards vest), and will be incorporated into the final amount to vest, as dividend shares.

Single figure total

1. All award values to be included in the single 2018 figure total. The timing of actual amounts received or to be received and the time-frame over which this occurs are set out on the timeline. Values are included using the value at grant. Where awards are subject to share price (for share based awards) and where these may be subject to the further allocation of dividend equivalents, the actual value received on vesting of the awards will be subject to the share price at the time, and to the value of dividend shares awarded.
2. Cost-to-company and role based pay (which applied until the fourth quarter) paid in 2018. For executive directors and prescribed officers who held office for part of the year, the values in the single figure total table reflect only the cost-to-company and role based pay paid in respect of the period during the year as an executive director or prescribed officer.
3. Cash short-term incentive received in respect of 2018, paid in 2019. The full value is shown in all instances.
4. The value at grant of the 2018 deferred short-term incentive (cash and share-based deferral), to be released in equal tranches over three years.
5. There is no long-term incentive value in the 2018 single figure as no awards vested in 2018, or for which a performance period ended in 2018.



6. **Not included** in the 2018 single figure total are long-term incentive awards to Executive Committee members and other eligible employees granted in 2019. The performance period for these awards is 2019 – 2021. The value to vest under these awards will reflect in the single figure table in the 2021 remuneration report. The 2019 long-term incentive award will vest, subject to fulfilment of the performance conditions and completion of the performance period (i) for Executive Committee members one third each on the 3rd, 4th and 5th anniversary of the date of grant; and (ii) for other participants 100% on the 3rd anniversary of the date of grant. The vesting profile illustrated in the figure is as would apply for a member of the Executive Committee. Historical cash and share-based awards, and amounts vesting from those are set out in the cash and share-based award tables on pages 29 to 35 of the 2018 Remuneration Report.

Annual consolidated and separate financial statements pages 118. 2018 accounting charges of executive directors and key management personnel. This includes the accounting charge in respect of all unvested awards for the relevant senior executives.

Group Chairman and non-executive directors' fees

Determination of non-executive director fees

In determining the fee levels of our non-executive directors, we consider the levels of fees paid by our key competitors, general levels of increase applied to non-executive director fees across our market, the level of general increase applied to our employees (and particularly executives and senior management) and overall inflation.

The determination of non-executive director fees is based on the following principles:

- Non-executive directors are paid an annual fee (paid in monthly instalments). Special and ad hoc Board and Board sub-committee meetings are paid a fee per meeting or an hourly rate depending on the amount of preparation time and the length of the meeting.
- The Group Chairman's fee covers the chairmanship and membership of all Board committees and sub-committees (including Absa Bank and Absa Financial Services) except for attendances at the Separation Oversight Committee.
- The chairmen of the Group Audit and Compliance, Group Risk and Capital Management, Remuneration, and Social and Ethics committees receive fees equal to 2,5x (two and a half times) the fee payable to the members. The chairmen of the remaining Board Committees and sub-committees receive fees equal to twice the fees payable to the members.
- The Board Finance Committee and Separation Oversight Committee members are paid per meeting (as these are scheduled as the need arises) and members of the Credit Concentration Risk Committee are paid a separate fee for each credit application reviewed.

Proposed 2019 non-executive directors' fees

The proposed non-executive director fees for the period 1 May 2019 to 30 April 2020 were approved by the Board and are included in special resolution 1 of the notice of annual general meeting. Fees are proposed to increase by 5%, with the exception of those payable in respect of Social and Ethics Committee (7.5%) and Information Technology Committee (12.5%).

	Proposed remuneration 1 June 2019 – 31 May 2020 R	Remuneration 1 May 2018 – 31 May 2019 R	Change %
Board Chairman	6 501 939	6 192 323	5
Board members	585 867	557 968	5
Group Audit and Compliance Committee (GACC) member	337 365	321 300	5
Group Risk and Capital Management Committee (GRCMC) member	331 228	315 456	5
Group Remuneration Committee (RemCo) member	192 715	183 538	5
Directors' Affairs Committee (DAC) member	119 991	114 278	5
Group Credit Risk Committee (GCRC) member	105 879	100 837	5
	3 268 per facility reviewed	3 112 per facility reviewed	
Social and Ethics Committee (SEC) member	134 984	125 566	7.5
Disclosure Committee (DC) member	90 751	90 751	0
Information Technology Committee (ITC) member	157 999	140 444	12.5
Board Finance Committee (BFC) member	23 429 per meeting	22 313 per meeting	5
Separation Oversight Committee (SC)	23 429 per meeting	22 313 per meeting	5
Special Board meeting	37 774 per meeting	35 976 per meeting	5
Special (*ad hoc*) Board Committee and sub-committee meetings	23 429 per meeting	22 313 per meeting	5
Ad hoc attendance	5 173 per hour	4 927 per hour	5

The fees indicated above are exclusive of VAT. Where applicable, VAT will be levied by the non-executive directors and such fees plus VAT will be paid to the non-executive directors concerned (subject to the issue of a valid tax invoice reflecting fees plus VAT).

Group Chairman and non-executives directors' fees continued

Non-executive directors' fees paid during 2018

	2018						2017					
	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	Total[15] R	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	Total[15] R
Alex Darko[1,2]	**577 975**	**1 026 931**	**–**	**–**	**–**	**1 604 906**	560 419	810 593	–	–	6 715	1 377 727
Ashok Vaswani[3,4]	**–**	**–**	**–**	**–**	**–**	**–**	253 679	200 979	–	–	–	454 658
Colin Beggs[1,5]	**671 199**	**1 667 087**	**181 655**	**53 250**	**226 074**	**2 799 265**	560 419	1 608 138	171 664	208 667	161 511	2 710 399
Dhanasagree (Daisy) Naidoo	**597 683**	**459 050**	**–**	**–**	**–**	**1 056 733**	560 419	452 211	–	–	–	1 012 630
Daniel (Dan) Hodge[4,6]	**455 277**	**257 398**	**–**	**–**	**–**	**712 675**	373 737	199 340	–	–	–	573 077
Francis Okomo-Okello	**577 975**	**123 384**	**–**	**–**	**–**	**701 359**	560 419	116 599	–	–	–	677 018
Mark Merson[1,7]	**617 391**	**458 771**	**–**	**–**	**–**	**1 076 162**	560 419	437 540	–	–	–	997 959
Mohamed Husain[1]	**612 075**	**1 171 753**	**181 655**	**–**	**–**	**1 965 483**	560 419	1 144 452	171 664	–	–	1 876 535
Monwabisi Fandeso[8]	**509 165**	**234 519**	**–**	**–**	**–**	**743 684**	176 293	79 347	–	–	–	255 640
Patrick Clackson[1,4,9]	**–**	**–**	**–**	**–**	**–**	**–**	165 532	128 960	–	–	–	294 492
Paul O'Flaherty[1,10]	**462 668**	**1 214 701**	**150 844**	**–**	**–**	**1 828 213**	518 119	1 402 521	171 664	–	–	2 092 304
Rene van Wyk[1,11]	**651 491**	**1 742 826**	**181 655**	**–**	**–**	**2 575 972**	519 036	1 409 642	157 953	–	–	2 086 631
Tasneem Abdool-Samad[12]	**573 318**	**246 970**	**29 205**	**639 525**	**–**	**1 489 018**	–	–	–	–	–	–
Trevor Munday[1,13]	**227 757**	**276 492**	**73 013**	**–**	**–**	**577 262**	539 269	872 658	171 664	–	–	1 583 591
Wendy Lucas-Bull[14]	**6 084 715**	**66 939**	**–**	**–**	**–**	**6 151 654**	5 707 950	146 760	–	–	–	5 854 710
Yolanda Cuba[1]	**577 975**	**463 598**	**–**	**–**	**–**	**1 041 573**	560 419	497 480	–	–	–	1 057 899
Total	**13 196 664**	**9 410 419**	**798 027**	**692 775**	**226 074**	**24 323 959**	12 176 548	9 507 220	844 609	208 667	168 226	22 905 270

1 The GACC, GRCMC, RemCo and SEC Chairmen receive fees equal to two and a half times the fee payable to members of these committees. Chairmen of the remaining committees receive fees equal to two times the member fee.

2 Alex Darko was a trustee of the Share Incentive Trust (reported under Other).

3 Ashok Vaswani resigned from the Board on 30 June 2017.

4 Fees are paid to Barclays and not to the individual.

5 Colin Beggs is a trustee of the Absa Group Pension Fund (reported under Other). Within Absa Financial Services, Colin was a member of the Group Actuarial and Audit Risk and Compliance Committees until 31 March 2018.

6 Dan Hodge joined the Board on 1 May 2017.

7 Mark Merson remained on the Board as a non-executive director after his departure from Barclays and subsequently became an independent non-executive director.

8 Monwabisi Fandeso joined the Board on 1 September 2017. He resigned from the Board effective 19 November 2018.

9 Patrick Clackson resigned from the Board on 30 April 2017.

10 Paul O'Flaherty resigned from the Board effective 5 November 2018.

11 René van Wyk joined the Board on 1 February 2017.

12 Tasneem Abdool-Samad joined the Group Board on 1 February 2018 and GACC on 1 April 2018. Within Absa Financial Services, Tasneem is Chairman of the Group Audit Risk and Compliance Committee and is a member of the Board and the Group Actuarial Committee.

13 Trevor Munday retired from the Board effective 15 May 2018.

14 The fee applicable to Wendy Lucas-Bull, the Group Chairman, covers chairmanship of the Absa Group, Absa Bank and Absa Financial Services as well as the membership of all Board committees and sub-committees, except for attendance at the Separation Oversight Committee (a special committee established in relation to the Barclays sell-down which will remain in place until completion of the Separation which is anticipated to be June 2020).

15 The fees indicated above are exclusive of VAT. Where applicable VAT has been levied by the non-executive directors and such fees plus VAT were paid to the non-executive directors concerned (subject to the issue of a valid tax invoice).

Board **committee** reviews

The Board has mandated 10 committees, to assist in the execution of the Board's duties and responsibilities. The terms of reference of each committee are reviewed annually. Each committee comprises of suitably skilled directors to oversee and govern taking into account their respective mandates. Committee chairmen give written and verbal feedback at Board meetings and the Group Chairman reports back on the activities of material subsidiaries including Absa Bank, Absa Financial Services and banking entities from Absa Regional Operations.

The mandates, membership and the tenure of committee members, as well as the key activities of each committee during 2018 follow here. Committee memberships are as at 31 December 2018, with notable changes after this date indicated. The Board and committee attendance table (page 85) provides insight to the membership composition and changes during the course of the year.

Attendance is an important factor in the Board's ability to discharge its duties and responsibilities and care is taken in preparing the Board calendar to enable meeting attendance. If a director is unable to attend a meeting (generally the *ad hoc* meetings), an apology is recorded, and if possible, he/she makes written or oral contributions ahead of the meeting. We expect, and receive, significant commitment from our Board members. The Separation Oversight Committee meetings are separately reflected, given that they will cease on completion of the Separation.

Number of Board meetings

66 (2017: 63)
including ad hoc meetings

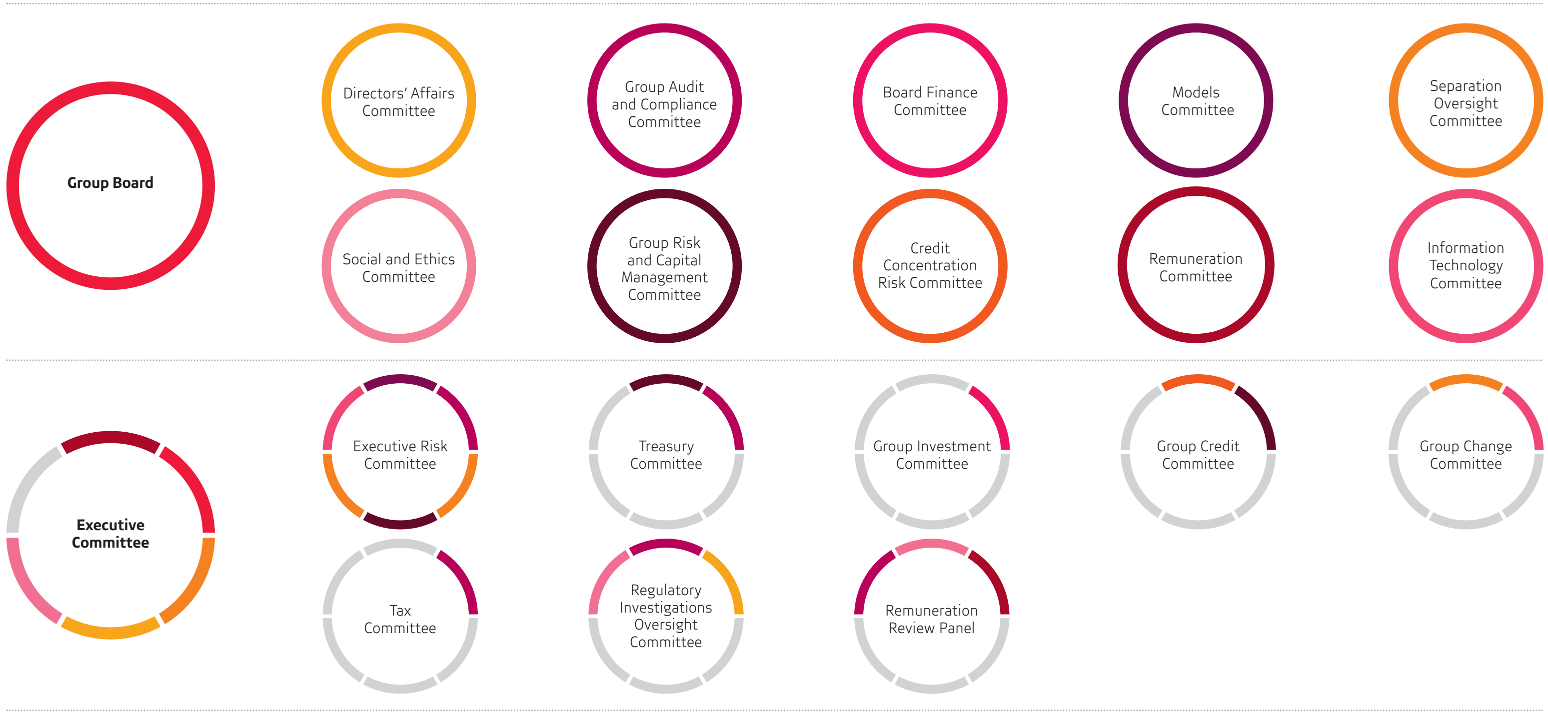
Attendance

97%
for scheduled meetings

96%
including ad hoc meetings

The Executive Committee, and its various committees, report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums.

The colour codes indicate the primary lines of reporting of the executive committees to the Board and Board Committees, for example the Group. Executive Committee primarily reports to the Board and the following Board committees: Social and Ethics, Board Finance, Group Credit and Separation Oversight.



Directors' Affairs Committee

We assist the Board in considering and evaluating matters that are key to the Group's ability to maintain and/or improve its governance practices and processes, to facilitate the delivery of value to shareholders and benefits to stakeholders, and to ensure compliance with relevant governance regulation.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

0 – 3 years	2
4 – 6 years	1
7 – 9 years	2

Members as at 31 December 2018	Director status	Attendees
Wendy Lucas-Bull (Chairman)	Independent Chairman	Maria Ramos[2] (Executive director/Chief Executive Officer)
Alex Darko[3]	Independent director	Jason Quinn (Executive director/Financial Director)
Colin Beggs	Independent director	
Mohamed Husain	Lead independent director	
René van Wyk[1]	Independent director	

1 Appointed Chief Executive Officer effective 1 March 2019, remains on the committee as an attendee.
2 Retired 28 February 2019.
3 Joined the committee in November 2018

Key topic	Committee discussions, decisions and actions
Board Composition	Reviewed the Board's composition in terms of size, independence, and diversity in all its forms (i.e. skills, knowledge, experience, gender and race); considered both non-executive and executive succession, in particular the matter of CEO succession. Mapped existing and required skills to ensure the Board maintains capacity to review and approve Group strategy and monitor its implementation, ensure sufficient diversity of perspective, effective debate and challenge of management.
Governance policies	Reviewed the Board Charter (Absa Group and Absa Bank) and committee terms of reference with regard to the Group's status as a standalone entity, compliance with new regulations, general enhancement of committee oversight and developments in governance. The Board approved the resultant amendments.
Subsidiary boards	Engaged with the Group's major subsidiaries (through their boards), on various aspects of governance, including board composition and governance structures. Reviewed and assessed the appropriateness of these governance structures and improved on a consistent language around governance standards and practice. Oversaw the development of the Group governance framework (building on the existing memorandum of understanding with the subsidiary boards) for implementation in 2019, as part of our King IV application and general governance progress.
Board effectiveness review	Reviewed the proposed methodology and process for the 2018 Board and committee effectiveness reviews and engaged with the outcomes which were satisfactory for both Board and the committees.
Reputation risk	Actively engaged on matters of reputational risk for the Group, including the regular monitoring of the Group's interactions with all our regulators on the continent.

Forward focus

Continue reviewing Board and committee composition with a view to expanding the Board in 2019.

Continue to review the governance structures and composition of subsidiary boards.

Continue to engage with the subsidiary boards on the implementation of the updated Group governance framework.

Oversee the appointment of the Group's new CEO.

Monitor reputational issues.

Stakeholder focus

Customers
Employees
Regulators
Investors
Society

Strategy priority/ enabler focus

Thriving organisation
Role in society

Principal risk focus

Conduct
Reputation
Legal

2018 King IV review

Group Audit and Compliance Committee

We are accountable for the quality of the annual financial statements and reports, and oversee the quality and integrity of the Group's integrated reporting. It is the primary forum for receipt of assurance reports and engagement with internal and external audit, and for monitoring the Group's financial, control and compliance environment.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

Members as at 31 December 2018	Director status	Mandatory attendees	Invitee
Colin Beggs (Chairman)	Independent director	Maria Ramos[2] (Executive director/Chief Executive Officer)	Wendy Lucas-Bull – Independent Chairman
Alex Darko	Independent director	Jason Quinn (Executive director/Financial Director)	
Daisy Naidoo	Independent director	Chief Risk Officer	
Mohamed Husain	Lead independent director	Chief Internal Auditor	
René van Wyk[1]	Independent director	Head of Compliance	
Tasneem Abdool-Samad	Independent director	External auditors	

[1] Appointed Chief Executive Officer effective 1 March 2019, remains on the committee as a mandatory attendee.
[2] Retired 28 February 2019.

Key topic	Committee discussions, decisions and actions	Forward focus
Impairments and IFRS 9	Oversaw and challenged the implementation of International Financial Reporting Standards 9 (IFRS 9) (effective from 1 January 2018) and reviewed the Group's impairments and macroeconomic provisions.	Monitor the implementation of new IFRS and the impact of future standards.
Audit quality	Paid particular attention to the planning, processes and outcomes of the Group audit, including the adequacy of specialist resources of EY, their level of audit challenge and communication thereby ensuring the quality of audit.	Oversee the selection and appointment of a second audit firm for the Group, while monitoring the performance of the current sole auditor.
The control environment in terms of change and the Separation	Reviewed the status of the Group's control environment, in light of the level of change in the organisation, the Separation, as well as the Group's new growth strategy, including approving internal audit and compliance plans to ensure appropriate assurance coverage (using a risk-based approach) of all material areas of the Group.	Monitor the control environment in light of the Group strategy, the Separation, and the challenging operating environment.
Fraud	Given the risks of online fraud and cybercrime, we paid particular attention to the Group's external and internal position on, and defences against fraud and cybercrime, with input from the chief security office and financial crime division, which work to strengthen the Group's prevention and response capabilities.	Closely monitor the cybercrime environment and the Group's prevention and defence capabilities.

Stakeholder focus

Customers
Investors
Employees
Society
Regulators

Strategy priority/ enabler focus

Thriving organisation
Growth opportunities

Principal risk focus

Treasury
Operational
Conduct
Legal

2018 Consolidated and separate annual financial statements for the full report from the GACC.

Group Risk and Capital Management Committee

The Committee's prime function is to assist the Board in overseeing the risk, capital and liquidity management of the Group by reviewing and monitoring the Group's risk profile against its set risk appetite and capital and liquidity positions, having regard to applicable regulations. It does this by robustly challenging management in a collaborative manner and making recommendations where appropriate.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

Members as at 31 December 2018	Director status	Attendees
René van Wyk (Chairman)[1]	Independent director	Chief Internal Auditor
Colin Beggs	Independent director	Head of Compliance
Daniel Hodge	Non-executive director	Group Treasurer
Jason Quinn	Executive director/Financial Director	External auditors
Maria Ramos[2]	Executive director/Chief Executive Officer	
Mark Merson[3]	Independent director	
Wendy Lucas-Bull	Independent Chairman	

[1] Appointed Chief Executive Officer effective 1 March 2019, remains on the committee as a member.
[2] Retired 28 February 2019.
[3] Appointed Chairman of the committee effective 1 February 2019.

Key topic	Committee discussions, decisions and actions	Forward focus
Group ERMF and the nine principal risk types	Reviewed, through monitoring and assurance activities, the effectiveness of the Enterprise Risk Management Framework (ERMF). Discussed and monitored the risk themes and principal Group risks of credit risk, market risk, operational risk, model risk, reputation risk, conduct risk, legal risk, and insurance risk and management's actions relating thereto.	Continue to monitor (a) the Group's nine principal risks, taking into account the Group's strategy, changing economic and operational conditions and the execution of the Separation; and (b) the current and projected levels of capital, funding and liquidity of all the regulated entities.
Risk appetite	Reviewed and recommended the Group's risk strategy and risk appetite to the Board for approval. Regularly discussed and monitored the group's risk profile (in terms of risk themes and principal risk types) against the Group's risk appetite.	
Capital levels	Checked and challenged the statutory and regulatory capital compositions and levels within the Group to ensure optimisation taking into account regulatory requirements, stress scenarios, Basel III amendments and dividends.	
Funding and liquidity	Monitored and discussed the funding of the balance sheet in terms of senior debt/note funding, wholesale funding and core deposit funding. Monitored and discussed the changing legislation in respect of it leading to a reduction and ultimate termination of the committed liquidity facility from the South African Reserve Bank (SARB) from 2019, and reviewed the high quality liquid asset portfolio.	
General	Received updates on business resilience; material front-to-back processes; status of compliance with the Basel Committee on Banking Supervision (BCBS) 239 standard; risk and capital management disclosures; Pillar 3 Risk management reports; the annual renewal of the committed liquidity facility from the SARB; and management's annual internal capital adequacy assessment process report submitted to the SARB.	

Stakeholder focus

Customers
Employees
Regulators
Investors

Strategy priority/ enabler focus

Thriving organisation
Leadership in core businesses
Growth opportunities

Principal risk focus

Credit
Market
Treasury
Insurance
Operational
Model
Reputation
Conduct
Legal

2018 Pillar 3 risk management report

Remuneration Committee

The Committee sets, and oversees the implementation of the principles of the Group's Remuneration Policy with a view to deliver fair and responsible pay to align with market practice and to meet regulatory and corporate governance requirements. It approves the total remuneration spend and the particulars of a defined population. It also considers and approves the Group's remuneration disclosures and to ensure they are accurate, complete and transparent.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

0 – 3 years	1
4 – 6 years	3
7 – 9 years	0

Members as at 31 December 2018	Director status	Attendees
Alex Darko (Chairman)[1] Mohamed Husain	Independent director Lead independent director	Maria Ramos[2] (Executive director/Chief Executive Officer) Jason Quinn (Executive director/Financial Director)
Wendy Lucas-Bull	Independent Chairman	Head of Reward
Yolanda Cuba	Independent director	Chief Executive: Strategic Services (including HR/People)

[1] Appointed as Chairman effective November 2018. All DAC members were included in meetings from September 2018 to ensure additional independence of mind and challenge on the key decisions of the Remuneration Committee during the Chairman transition.

[2] Retired 28 February 2019. René van Wyk, the Chief Executive Officer effective 1 March 2019, joined as an attendee.

Key topic	Committee discussions, decisions and actions	Forward focus

Reward policy and strategy to include the removal of role based pay, revised approach to short-term and long-term incentive plans including the metrics and targets	• Removed role-based pay. Adjusted market data for our performance and applied this to each individual affected to ensure an appropriate (and more market related) balance of cost-to-company, short- and long-term incentives.
	• Considered reports from market salary data sources providing salary benchmarks in relation to the market median for all levels of employees, with recommendations to address any anomalies and reports from external advisers on the comparability of bonus pools.
	• Amended the incentive funding approach and methodology to include:
	  ◦ Alignment of the long-term incentive metrics with market expectations for on-target performance.
	  ◦ Schemes for the retention of key resources for the Separation projects and Wealth and Investment Management.
	  ◦ Selected the four metrics (three financial and one non-financial) which underpins our short-term incentive awards and with the Group Audit and Compliance Committee determined the quality of earnings, and with the Social and Ethics Committee determining the level of achievement (only partly) of the customer health metric.
	• Approved a new share incentive plan for approval by shareholders at the annual general meeting.
		To further revise our Remuneration Policy covering:
		• All elements of remuneration for all employees; and
		• Principles of fair and responsible pay.
		To intensify engagement with our shareholders and other stakeholders to ensure feedback and to communicate changes in policy and approach.
		Continue to develop the appropriate short-term incentive pool, together with financial and non-financial performance conditions linked to the short- and long-term incentive plans so as to align to the interests of our shareholders while remaining market competitive.

Remuneration reporting	• Responded to investor feedback on our pay mix and our 2017 remuneration report. • Oversaw the development and approval of the Summary Remuneration Report and the 2018 Remuneration Report taking into account: best practice; changes in our regulatory environment and the resulting removal of role based pay; our new Reward philosophy and policy, which emphasises pay for performance. The revised mix of salary, short-term and long-term incentives; salary adjustments; the methodology to determine incentive spend; disclosure on the long-term incentive award metrics and targets; and the final pay decisions for executive directors and prescribed officers.	

Stakeholder focus

Employees
Regulators
Investors
Society

Strategy priority/ enabler focus

Thriving organisation
Growth opportunities

Principal risk focus

Reputation
Conduct
Operational
Legal

Remuneration summary page 46

2018 Remuneration Report

Social and Ethics Committee

As a Committee, we are responsible for monitoring key organisational health indicators and the Group's activities relating to its role in society and the impact on the Group's employees, customers, and environment.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

Members as at 31 December 2018	Director status	Attendees
Mohamed Husain (Chairman)	Lead independent director	Deputy CEO (Chief Executive: Absa Regional Operations)
Francis Okomo-Okello	Independent director	Head of Compliance
Maria Ramos[1]	Executive director/Chief Executive Officer	Chief Executive: Marketing and Corporate Relations
Wendy Lucas-Bull	Independent Chairman	General Counsel
		Chief Executive – Strategic Services[2]

1 Retired 28 February 2019. René van Wyk joined as a member following his appointment as the Chief Executive Officer effective 1 March 2019.
2 Including human resources.

Key topic	Committee discussions, decisions and actions	Forward focus
People and culture	Considered the people strategy, incorporating our people promise; the new operating model for the human resources function; and the approach to enhance employee experience. Discussed the culture transformation strategy, incorporating our new target culture and the role of culture as a key enabler in delivering our Group strategy. Recommended to the Board a new set of Values that reinforce the target culture.	Continue to attend to all the matters within its mandate, specifically the Group's role in society, the people strategy (including culture) and monitoring customer health, with the view to its improvement.
Role in society	Agreed on the establishment, purpose and strategic approach of the Absa Africa Foundation. Continued to track and monitor our progress under the South African Financial Sector Code. Adopted the UN Global Compact and measured our performance against such compact, in particular in regard to anti-corruption measures. The Committee complied with its statutory obligations.	
Stakeholder engagement	Received updates on stakeholder engagements, and approved a revised stakeholder engagement policy to assist with instilling sound corporate governance principles, improving the understanding of the interests and expectations of key stakeholders and generating shared value for our stakeholders. Considered customer health updates, including complaint trends and customer satisfaction metrics.	
Conduct and reputation	Considered the detailed planning relating to the change of the name of the Group entity and impact of the name and brand change from a reputation point of view. Received regular updates on conduct and reputation risks, including behavioural metrics, whistleblowing statistics and trends, forensic investigations, conduct risk indices, conduct risk reviews, emerging risks, regulatory engagements, and specific conduct and reputational incidents and the responses thereto; and approved the revised Conduct and Reputation Risk frameworks.	

Stakeholder focus

Customers
Employees
Regulators
Investors
Society

Strategy priority/ enabler focus

Thriving organisation
Role in society

Principal risk focus

Conduct
Reputation
Legal

Information Technology Committee

The committee assists the Board with effective oversight and governance of technology and information for the Group, with a particular focus on resilience, architecture, innovation and competitiveness.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

0 – 3 years	2
4 – 6 years	3
7 – 9 years	0

Members as at 31 December 2018	Director status	Attendees
Alex Darko (Chairman)	Independent director	Chief Information Officer
Jason Quinn	Executive director/Financial Director	Chief Risk Officer: Engineering Services
Maria Ramos[1]	Executive director/Chief Executive Officer	Chief Security Officer
Paul O'Flaherty	Chief Executive: Engineering Services	Chief Data Officer
Wendy Lucas-Bull	Independent Chairman	

[1] Retired 28 February 2019. René van Wyk joined as a member following his appointment as the Chief Executive Officer effective 1 March 2019.

Key topic	Committee discussions, decisions and actions	Forward focus
Separation and strategic investments	Considered (i) change volumes and progress of projects as part of the Separation and the related prioritisation programme; (ii) the resilience and stability of existing platforms and systems and the impact of Separation execution; (iii) the intra-group implications of technology Separation including the regulatory requirements in various jurisdictions; and (iv) strategic technology investments spend, the related benefits and management efforts to reduce the overall cost-to-income ratio of the information technology function and of the Group overall.	The infrastructure, system availability and stability, technology risk posture, converged security, people risk within engineering services; data centre migration, cloud migration, digital transformation and innovation, and technology Separation.
People risk	Considered (i) the status of the resources and skill sets in technology and cyber security across the Group; and (ii) the required culture change within technology, focusing on leadership, developing a talent pipeline (next-generation skills), transformation, scaled learning and the well-being of employees.	
Security and digital strategies	Monitored progress on the implementation of the Group's security strategy including cyber (to contain the impact of cybercrime on systems and our customers' accounts); and more broadly to strengthen information risk management and security controls across IT infrastructure. Reviewed the digital strategy and received reports on the related technology innovations.	
Data	Discussed and reviewed (i) the critical role and operating model of the chief data office team in the delivery of the Group's data ambitions and the opportunities to realise value from data and related services; (ii) the data platform running on an open source technology with the aim of speed of execution; and (iii) the data strategy involving core capabilities and cultural imperatives to achieve three overarching data outcomes for the Group – trust (building a single source of the truth); value (insights driven competitiveness and profitability); and culture (data-led organisation).	

Stakeholder focus

Customers
Employees
Regulators

Strategy priority/ enabler focus

Thriving organisation
Leadership in core businesses
New propositions
Scalable, digitally-led
Growth opportunities

Principal risk focus

Operational
Conduct
Reputation

Board Finance Committee

As a Committee we, (i) assist the Board in reviewing and approving certain levels of investments and types of transactions within our mandate; (ii) consider and recommend to the Board the short- and medium-term financial plan underpinning the Group strategy; and (iii) are mandated by the Group and Absa Bank Boards to consider and finalise the profit commentary as it relates to interim and year-end financial results and to approve the publication of the dividend declarations within the parameters determined by the boards.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

0 – 3 years	1
4 – 6 years	2
7 – 9 years	1
> 10 years	1

Members as at 31 December 2018	Director status	Attendees
Mark Merson (Chairman)[1]	Independent director	Maria Ramos[3] Executive director/Chief Executive Officer
Colin Beggs	Independent director	Jason Quinn Executive director/Financial Director
Yolanda Cuba	Independent director	
Wendy Lucas-Bull	Independent Chairman	
René van Wyk[2]	Independent director	

[1] Became Chairman in July, taking over from Yolanda Cuba.
[2] Appointed Chief Executive Officer effective 1 March 2019, remains on the committee as a mandatory attendee.
[3] Retired 28 February 2019.

Key topic	Committee discussions, decisions and actions	Forward focus
Investments/ transactions	Considered and recommended to the Board (i) entering into arrangements with third parties in the United Kingdom and United States to support the Group's endeavours while also procured our own securities licences in those countries; the establishment of an Absa Bank representative office in New York (US), as part of the international strategy; (ii) extending the current master structured notes programme to allow for equity index related notes to be listed on the Main Board of the JSE; (iii) extension of a material facilities outsource contract; (iv) appointment of a single credit and debit card provider and payments platform; (vi) sale of the Absa Towers Main building in Johannesburg to be redeveloped in terms of a mixed commercial and residential urban renewal programme; and (vii) (with the GRCMC), taking up of a committed liquidity facility from the South African Reserve Bank pursuant to the Basel III liquidity requirements. Reviewed and discussed progress on another Black Economic Empowerment transaction in respect of the 1,5% Absa Group shares contributed by Barclays as part of the Separation .	Challenge management on the setting of budgets relative to the Group's strategy. Approve investments, disposals and substantial funding proposals.
Short- and medium-term financial plans	Checked and challenged (and reviewing stress testing) the 2019 budget and medium-term plan to 2021 in terms of the new Group strategy, with a focus on revenue growth, managed cost growth, sustainable deposit growth, and returns.	
Profit commentary	Considered the profit commentary included in the SENS announcements to the market for the interim and year-end financial results to ensure that the Group's performance is presented in a succinct and transparent manner.	

Stakeholder focus

Regulators
Investors

Strategy priority/ enabler focus

Leadership in core businesses
New propositions
Growth opportunities

Principal risk focus

Treasury
Market
Operational
Reputation
Conduct
Legal

Group Credit Risk Committee

Our mandate is to consider and approve all large exposures, key country risk limits, relevant sector exposures concentrations, and the credit risk health of Retail and Business Banking, Corporate and Investment Bank and the Absa Regional Operations while taking into account the risk appetite of the Group as approved by the Board.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulation.

Current members period served

Members as at 31 December 2018	Director/management status	Other executive quorum members
René van Wyk (Chairman)[1]	Independent director	Chief Credit Officer
Yolanda Cuba	Independent director	Chief Risk Officer
Wendy Lucas-Bull	Independent Chairman	
Daisy Naidoo	Independent director	
Jason Quinn	Executive director/Financial Director	
Maria Ramos[2]	Executive director/Chief Executive Officer	

[1] Appointed Chief Executive Officer effective 1 March 2019, remains on the committee as a member. Mark Merson was appointed Chairman effective 1 February 2019.
[2] Retired 28 February 2019.

Key topic	Committee discussions, decisions and actions	Forward focus
Large exposures	Considered and approved single name, country and sovereign facilities within its mandate. Continuously and proactively monitored the Group's exposures to ensure credit limits remain within the Group's credit risk appetite for various customers, sectors and industries; and in this regard (i) conducted deep dives into a number of portfolios, including commercial property, agriculture and mortgages, (ii) monitored the credit risk of distressed customers through regular updates; (iii) evaluated the Group's exposure to state-owned companies in South Africa with focus on the specific financial challenges faced by those entities; and (iv) received reports on the macro-economic environment of the Group's operational jurisdictions with a focus on Ghana, Kenya and Mauritius.	Deep dives into specific sector/industries and portfolios. Evaluating the performance of the portfolios against stipulated credit and risk metrics. Monitor that approved credit risk appetite is maintained in all jurisdictions. Consider risk in conjunction with returns for relevant portfolios. Consider and approve large credit applications in line with the Committee's mandate and report these to the Board.
Sector and segment specific reviews	Reviewed and approved revised mandates and scale to support growth strategies in the agriculture, home loans and commercial property finance portfolios.	
Risk metrics	Supported revised credit risk measurement metrics and monitored their application. Evaluated the effectiveness of the Enterprise Risk Management Framework in credit risk management and governance in our Absa Regional Operations. Reviewed the actual and potential impact of emerging risks emanating from new and proposed regulations.	

Stakeholder focus

Customers
Employees
Regulators
Investors
Society

Strategy priority/ enabler focus

Thriving organisation
Leadership in core businesses
New propositions
Growth opportunities

Principal risk focus

Conduct	Credit
Reputation	Market
Legal	Treasury

Models Committee

The Models Committee is the designated committee tasked with the review of Absa Group's material models and as required by the Prudential Authority.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference as well as relevant legislation and regulations.

Current members period served

Members as at 31 December 2018	Director/management status	Attendees
Jason Quinn (Chairman)	Executive director/Financial director	Head: Model Risk and Centre of Excellence
Maria Ramos[1]	Executive director/Chief Executive Officer	Head: Independent Validation Unit
Arrie Rautenbach	Chief Executive RBB SA	
August van Heerden	Chief Risk Officer	
Charles Russon	Chief Executive CIB	

[1] Retired 28 February 2019. René van Wyk joined as a member following his appointment as the Chief Executive Officer effective 1 March 2019.

Key topic	Committee discussions, decisions and actions	Forward focus
Regulatory model development and model remediation	Reviewed the status of models relative to the compliance and governance requirement, with no high materiality models out of governance. Engaged with the Prudential Authority in relation to feedback as regards two high materiality models, (i) the large corporate unsecured loss given default and, (ii) non-bank financial institutions loss given default models. Considered and approved the continued use of the IFRS 9 model suite following development in 2017 and implementation in January 2018.	Continue to monitor its compliance with regulatory standards set by the Prudential Authority and other regulators in 2019.
Model risk management and model risk appetite	Approved (i) the model risk management framework, and (ii) changes to the framework to align with the Group risk appetite framework. Approved the new model risk appetite statement, which is the articulation of the aggregate level of model risk that the Group is willing to accept, or to avoid, in order to achieve its business objectives. Reviewed model risk quantitative metrics and qualitative statements as expressions of risk appetite.	
New single risk rating for models	Reviewed changes in the model risk rating scale as a result of the new group model risk policy and model validation standard in order to better align the validation outcome to the definition of model risk i.e. considered the potential adverse consequences from financial assessments or decisions based on incorrect or misused model outputs and reports.	
Data remediation and proposed model redevelopment	Discussed, debated and reviewed management's remediation of findings raised by the independent validation unit, particularly in relation to model risk factors such as data quality; model use and performance; and model implementation.	

Stakeholder focus

Customers
Regulators
Investors

Strategy priority/ enabler focus

New propositions
Growth opportunities
Leadership in core models

Principal risk focus

Credit
Market
Treasury
Operational
Models

Separation Oversight Committee

The Committee oversees the progress of the Separation programme and all related risks with a focus on operations, technology, cost management, human resources and reputation.

We are satisfied that we have fulfilled our responsibilities in accordance with the terms of reference.

Current members period served

1 – 2 years	**9**

Members as at 31 December 2018	Director/management status	Attendees
Wendy Lucas-Bull (Chairman)	Independent Chairman	Separation project director
Alex Darko	Independent director	
Colin Beggs	Independent director	
Jason Quinn	Executive director/Financial Director	
Maria Ramos[1]	Executive director/Chief Executive Officer	
Mohamed Husain	Lead independent director	
Paul O'Flaherty[2]	Chief Executive: Engineering Services	
Peter Matlare	Executive director/Deputy CEO	
René van Wyk[3]	Independent director	

[1] Retired 28 February 2019.
[2] Formerly an independent director. Resigned from the Board in November 2018 to take up an executive role. He remained a member of the committee as the executive responsible for the Separation.
[3] Appointed Chief Executive effective 1 March 2019 and remains a member of the committee.

Key topic	Committee discussions, decisions and actions	Forward focus
Separation programme execution	Received progress reports in respect of matters of operational and technology change, in accordance with timelines and milestones. This included: • Oversight of the critical path to Separation (appropriate sequencing, capabilities, capacity and migration management). • Monitoring the status of service management by Barclays under the three-year transitional service agreement, comprising 135 material service schedules. • Oversight and monitoring of the brand change project. • Oversight of regulatory engagements with the South African Reserve Bank and the Prudential Authority, and with the regulators of the Absa Regional Operations' banks (who are also updated through the College of Regulators facilitated by the South African Reserve Bank). • Monitoring of the overall financial impact and implications of the Separation, including spend in 2018 and the projected spend for 2019 and beyond. • Oversight of risks pertaining to the Separation i.e. operational, technological, people, and brand.	Monitoring of the progress, in particular of technology change projects and the initiatives leading up to the change of brand to Absa in our markets outside of South Africa. Monitoring combined assurance reports and engaging with assurance providers on findings and recommendations. These reports and interactions cover all initiatives which form part of the Separation programme.
Combined assurance	Reviewed Separation assurance reports and recommendations from the combined assurance providers of the Group namely PwC (independent quality assurance), EY (external audit) and Internal Audit.	
General	Continued to oversee regulatory engagements that resulted in achieving regulatory deconsolidation from Barclays in June 2018.	

Stakeholder focus

Customers
Employees
Regulators
Investors

Strategy priority/ enabler focus

Scalable, digitally-led
New propositions
Thriving organisation

Principal risk focus

Operational	Legal
Conduct	Financial
Reputation	Regulatory

2018 Board and committee attendance

Name	Board	BFC	GCRC	DAC	GACC	GRCMC	ITC	MC	RemCo	SEC	Totals	Totals (Scheduled)	% Totals (All meetings)	SC
Number of meetings	**13**	**6**	**4**	**4**	**7**	**5**	**3**	**3**	**5**	**3**	**53**		**66**	**3**
Alex Darko[1]	12/12			1/1	7/7		3/3		5/5		**28/28**	100%	36/37	3/3
Colin Beggs[2]	13/13	6/6		4/4	7/7	5/5			1/1		**36/36**	100%	44/44	3/3
Daisy Naidoo	12/12		4/4		7/7						**23/23**	100%	27/27	
Dan Hodge[3]	10/10					3/4					**13/14**	93%	14/18	
David Hodnett[4]	3/3		2/2				1/1			1/1	**7/7**	100%	7/7	
Francis Okomo-Okello	9/12[5]									3/3	**12/15**	80%	16/19	
Jason Quinn	13/13	6/6	4/4	4/4	7/7	5/5	3/3	3/3	5/5		**50/50**	100%	58/58	3/3
Maria Ramos	13/13	6/6	2/4	4/4	7/7	5/5	3/3	2/3	5/5	3/3	**50/53**	94%	61/64	3/3
Mark Merson	11/12	6/6				5/5					**22/23**	96%	27/28	
Mohamed Husain	13/13			4/4	7/7				5/5	3/3	**32/ 32**	100%	44/44	3/3
Monwabisi Fandeso[4]	10/10						2/2			2/2	**14/14**	100%	16/16	
Paul O'Flaherty[4]	10/10	3/3		2/2	5/6	4/4			4/4		**28/29**	97%	36/37	2/2
Peter Matlare							2/3			2/2	**16/17**	94%	19/20	3/3
René van Wyk[2]	13/13		4/4	4/4	7/7	5/5			1/1		**34/34**	100%	42/42	3/3
Tasneem Abdool-Samad[6]	11/12				4/5						**15/17**	88%	19/21	
Trevor Munday[7]	3/3	2/2		1/1		2/2					**8/8**	100%	11/12	
Wendy Lucas-Bull	13/13	6/6	4/4	4/4	7/7	5/5	3/3		5/5	3/3	**50/50**	100%	63/63	3/3
Yolanda Cuba	12/12	4/6	4/4						4/5		**24/27**	89%	31/35	
Totals Number	**193/198**	**39/41**	**24/26**	**28/28**	**65/67**	**39/40**	**17/18**	**5/6**	**35/36**	**17/17**	**462/477**		**571/592**	**26/26**
Totals (%)	**97%**	**95%**	**92%**	**100%**	**97%**	**98%**	**94%**	**83%**	**97%**	**100%**	**97%**		**96%**	**100%**

1 Appointed to DAC in November 2018.
2 Attended RemCo from October 2018.
3 Recused from three meetings due to conflict of interest issues.
4 Resigned; David Hodnett – 15 May; Paul O'Flaherty – 5 November; Monwabisi Fandeso – 19 November.
5 Attendance impacted by a family bereavement.
6 Joined the Absa Group Board effective 1 February and appointed to the GACC effective 1 April.
7 Retired 15 May 2018.
* An additional meeting was held with the SARB in February 2018, which certain Board members attended.
** In addition there are disclosure and technical disclosure sub-committees supporting the Group Audit and Compliance Committee which met three times and once respectively during 2018.

Board Committees

DAC	Directors' Affairs Committee
GACC	Group Audit and Compliance Committee
GRCMC	Group Risk and Capital Management Committee
RemCo	Group Remuneration Committee
SEC	Social and Ethics Committee
ITC	Information Technology Committee
BFC	Board Finance Committee
GCRC	Group Credit Risk Committee
MC	Models Committee
SC	Separation Oversight Committee

Notes

Contact information

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JSE share code: ABG
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