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Absa Group Limited

Integrated Report 2022

For the year ended 31 December 2022

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Reading this report

2022 Integrated Report

Absa Group Limited (Absa or the Group) strives to incorporate the principle of integrated thinking into our business and reporting. This Integrated Report is aimed at providers of financial capital and is our primary report to investors.

Integrated thinking requires integrating considerations around prosperity, people and the planet into our core business activities considering our external environment, and taking a holistic view of factors that create or erode enterprise value.

Considering our reliance on a wide range of tangible and intangible resources, integrated thinking is critical to ensure integrated decision-making and responsible capital allocation.

Ultimately, integrated thinking helps us balance short- and long-term outcomes, which is fundamental to our ability to create value sustainably over time.

Enterprise value comprises of tangible and intangible assets.

Financial capital | Manufactured capital

The tangible asset value of a business is presented in the statement of financial position and provides insight into how well we are managing our financial and manufactured capital.

Intangible value lies in our ability to innovate, our brand, our interactions with people and the planet, and how we govern ourselves. However, not all intangible value created is recognised in the statement of financial position according to the International Financial Reporting Standards (IFRS) which sets out defined recognition criteria for intangible assets.

Identifying these unrecognised intangibles and understanding how we manage, enhance and maintain them is fundamental to understanding the holistic value of a business and is a source of competitive advantage.

Human capital | Intellectual capital | Social and Relationship capital | Natural capital

This report aims to explain Absa's holistic enterprise value **to providers of financial capital**. We believe this is essential to enable investors and asset managers to allocate capital toward long-term value creation. This report connects our material sustainability matters to financial disclosures and demonstrates how governance, strategy and risk management could affect enterprise value.

We recognise the critical interdependency between enterprise value creation and value creation for our investors and other key stakeholders.

Board approval

Supported by the Disclosure Committee, the Board acknowledges our responsibility for the integrity of the Group's external reporting. This report provides material and relevant information to providers of financial capital to enable informed capital allocation decisions. This report is presented in accordance with the Integrated Reporting Framework (2021)[1]. It addresses all material matters influencing Absa's ability to create, and preserve value or those that may lead to value erosion in the short, medium and long term. It is our opinion that this Integrated Report presents a fair and balanced view of our performance, strategy, governance and outlook. The Board approved this report on 23 March 2023.

Alex Darko	**John Cummins**
Arrie Rautenbach	**Nonhlanhla Mjoli-Mncube**
Daisy Naidoo	**René van Wyk**
Francis Okomo-Okello	**Rose Keanly**
Fulvio Tonelli	**Sello Moloko (Chairman)**
Ihron Rensburg	**Swithin Munyantwali**
Jason Quinn	**Tasneem Abdool-Samad**

[1] *https://www.ifrs.org/issued-standards/ir-framework/*

Materiality determination

This Integrated Report uses dynamic materiality to scope which matters are significant for reporting and servicing the informational needs of capital markets. A matter is material if it can significantly affect our ability to create or preserve value or lead to value erosion (i.e., enterprise value) over the short[1], medium[2] and long term[3]. Our material matters as determined through our *materiality determination process* are:

- *Maintaining economic and strategic momentum*
- *Digital dependencies and vulnerabilities*
- *Social cohesion erosion*
- *Climate change and a just transition*
- *Rising regulation*
- *Evolving employee value proposition*

Dynamic materiality

Absa may have many positive and/or negative impacts on prosperity, people and the planet. However, only a subset of these impacts can, in turn, impact our business model and thereby create or erode enterprise value and influence returns to providers of financial capital. We therefore re-direct stakeholders in need of detailed sustainability impact disclosures to our ESG report. Recognising that sustainability matters can move over time, we continuously monitor our approach to dynamic materiality.

Absa Group Limited annual reporting suite 2022

Environmental, social and governance disclosures

2022 Environmental, Social and Governance (ESG) Report
2022 Remuneration Report
2022 Broad-Based Black Economic Empowerment (B-BBEE) Report
2022 Principles for Responsible Banking (PRB) Report
2022 Task Force on Climate Change-related Financial Disclosures (TCFD) Report

This Integrated Report

Financial and risk disclosures

2022 Annual Consolidated and Separate Financial Statements
2022 Summarised Annual Consolidated Financial Statements
2022 Pillar 3 Risk Management Report
2022 Pillar 3 Risk Management Report – Additional Tables
2022 Financial Results Booklet
2022 Financial Results Presentation

Read more about the *basis of preparation and presentation* in the supplementary information provided.
All the reports listed are available on *www.absa.africa*. Comments or queries regarding these documents can be sent to *groupsec@absa.africa*

Navigational icons used in this report

Hyperlinks are used throughout this report and is indicated through the use of *red italic text*.

Integrated thinking principle We sign post where integrated thinking and decision making are at play to create the basis for long-term value creation.

King IV statement We signpost statements by those charged with governance in line with King IV disclosure practices.

King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Six capitals We consider all six capitals in assessing value creation, preservation and erosion. These icons sign post the relevant capitals. A *full description of each capital* is available in the supplementary information.

Financial capital | Human capital | Intellectual capital | Manufactured capital | Social and Relationship capital | Natural capital

Sustainable Development Goals (SDGs) Absa Group's prioritised SDGs.

SDG 5 | SDG 7 | SDG 8 | SDG 10 | SDG 13 | SDG 16

[1] Less than 12 months. [2] One to three years. [3] Longer than three years.

Absa – brave, passionate, ready

Absa at a glance

"Absa is a Pan-African group, inspired by the people we serve and determined to be a globally respected organisation that Africa can be proud of. We have operated in Africa for over 100 years. We are committed to finding tailored solutions to uniquely local challenges, and everything we do focuses on creating value for our stakeholders. As a financial services provider, we play an integral role in the economic life of individuals, businesses, and nations. We empower and enable – from investing in our employees to uplifting our communities and enabling our customers' ambitions. We unlock opportunities through imagination, energy and passion, finding innovative solutions."

Absa Group Limited, listed on the Johannesburg Stock Exchange (JSE), is one of Africa's largest diversified financial services groups.

Our purpose

Empowering Africa's tomorrow, together ...one story at a time

Our ambition

To be a leading African bank

Our values

We drive high performance to achieve sustainable results

We are obsessed with the customer

Our people are our strength

We have an African heartbeat

Our behaviours

Act ethically with honesty and integrity

Collaborate with each other

Act with due skill, care and diligence

Be open and cooperative with regulators

Treat customers fairly

Observe standards of market conduct

Respect one another professionally, including our diversity

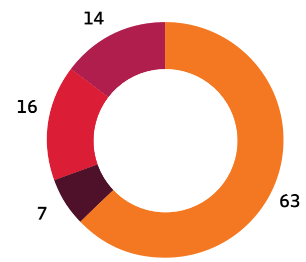
Remember our communities in day-to-day business

Our organisational purpose is unique and clearly articulated. It is brought to life in the interactions of our leadership, management, employees, customers, suppliers, governments and local communities. Our conduct and how we do things are consistent with our purpose.

The 847.8 million issued shares are held by a diverse shareholder base:

Top 10 shareholders by %	2022	2021
Ninety One Limited	5.33	6.87
Old Mutual	5.18	5.57
M&G	5.02	5.32
Public Investment Corporation	4.89	5.41
Black Rock Incorporated	4.40	3.75
GIC Asset Management	4.23	1.73
Citigroup Global Markets	4.01	4.03
The Vanguard Group Incorporated	3.90	3.07
Investec Securities	3.16	3.35
Coronation Asset Management	3.14	0.54
Other	56.74	60.36

Geographic split of shareholders (%)



Country[1]	Employees	PoS	ATMs	Branches	Founded
Botswana	1 073	4 810	114	32	1950
Ghana	1 187	1 361	166	52	1917
Kenya	2 304	5 318	194	83	1916
Mauritius	754	1 585	38	9	1919
Mozambique	767	1 473	93	45	2002
Seychelles	270	2 060	22	6	1959
South Africa (SA)	25 719	92 026	5 364	559	1888
Tanzania[2]	1 478	1 418	242	62	1945
Uganda	922	2 124	79	39	1927
Zambia	786	2 720	104	32	1918

Representative offices

Nigeria[3] – 14 employees

Namibia[3] – 1 employee

Technology support

Czech Republic[4] – 136 employees

Securities entities

UK[5] – 30 employees

USA[5] – 10 employees

[1] Banks are wholly owned apart from the following where we hold majority stakes: Botswana 67.8%, Kenya 68.5%, Mozambique 98.7%, NBC, Tanzania 55% and Seychelles 99.8%.
[2] Absa Bank Tanzania (ABT) and National Bank of Commerce (NBC) combined.
[3] Representative office.
[4] Technical (IT support resources to the Group).
[5] Securities entity.
[6] South Africa 9.7 million and ARO 1.7 million customers.

R164.4bn
market capitalisation

R1 258bn
gross loans and advances

R1 242bn
deposits

R21bn
headline earnings
SA: 18.3bn | ARO: R2.7bn

11.4 million
customers[6]

35 451
employees

15
countries

919
branches

114 895
point-of-sale (PoS) devices

6 416
ATMs

3 million
digitally active customers

Our structure, products and services

The Group moved from two commercial businesses, Corporate and Investment Bank (CIB) Pan-Africa and Retail and Business Banking (RBB) Pan-Africa, to five business units (Everyday Banking, Relationship Banking, Product Solutions Cluster, CIB Pan-Africa and Absa Regional Operations RBB.

Previous naming convention: Corporate and Investment Banking (CIB) (CIB SA and CIB ARO) | Retail and Business Banking (RBB) → RBB ARO, RBB SA

The *financial results booklet 2022* contains detailed product and services descriptions in the segment report.

Corporate and Investment Bank (CIB) Pan-Africa

- Corporate Bank: Corporate Bank SA, Corporate Bank ARO
- Investment Bank: Global Markets, Investment Banking Division, Commercial Property Finance, Private Equity and Infrastructure investments

Absa Regional Operations RBB (ARO RBB)

- Retail Banking: Premier Banking, Prestige Banking, Personal Banking, Financial inclusion
- Business Banking: SME banking, Commercial Banking
- Insurance: Life insurance, Non-life insurance

Product Solutions Cluster (PSC)

- Home loans
- Vehicle and Asset Finance
- Life Insurance: Non-Life Insurance and Non-banking Financial Service

Relationship Banking (RB)

- Business Bank
- Private Wealth
- Commercial Asset Finance

Everyday Banking (EB)

- Personal Loans
- Credit card
- Transactions and Deposits

Areas of differentiation

Corporate and Investment Bank (CIB) Pan-Africa

- Over 100 years of experience on the African continent with global connectivity and local differentiation
- Leading industry expertise in renewable energy, mining and resources, infrastructure, oil and gas and telecoms
- Consistently recognised as an industry leader in investment banking, research, and cash management
- Fixed income and foreign exchange market maker
- Transactional banking platforms in all our present markets
- Sector expertise and thought leadership across several key sectors driving African economies
- Strong stakeholder relationships.

Absa Regional Operations RBB (ARO RBB)

- Award winning digital and payments offerings and services
- Well-established branch presence in all major cities, supported by a digital servicing capability
- With over 100 years in our markets, we maintain a loyal, affluent customer base
- Playing our role in sustainability through instant, digital micro loans
- Supporting small and medium enterprises (SMEs).

Product Solutions Cluster (PSC)

- Strong secured lending presence
- Robust credit and collections capability
- An effective and seamless bancassurance model integrated into the broader franchise
- Accomplished advisory capability
- Experience in partnering with various market players
- Award winning customer experience in Life Insurance.

Relationship Banking (RB)

- Ease of onboarding SMEs
- Assist SME customers through local third-party suppliers
- Wealth creation through high-quality conversations and advice
- Longstanding trusted advisor
- Bespoke solutions that assist clients in growing their businesses
- Propositions include both banking and non-banking solutions
- Best-in-class service delivery
- Frictionless processes.

Everyday Banking (EB)

- Over two million customers can digitally authenticate their identity using Absa ID
- A comprehensive suite of payment options
- A *Branch-on-the-Move* solution that takes banking services directly to communities
- A membership-free rewards programme
- A market-first digital fraud warranty
- Absa Abby, the award-winning chatbot.

We generate competitive advantage through innovation, our unique insights and perspectives, and our ability to bring our products and services to market effectively and efficiently while generating a financial surplus.

Ways to do banking

We serve customers through an extensive branch and self-service terminal network, digital channels, financial advisers, relationship bankers and dealerships, originators, alliances, and joint ventures.

Digital ways to pay with partners

include **Apple** Pay, **Fitbit** Pay, **Garmin** Pay, **Samsung** Pay and **Google** Wallet. Customers can pay using compatible smartwatches, smartphones or tablets. **MasterPass** Wallet stores the customers debit or credit payment and delivery information in a central and secure location.

walletdoc stores customers' bills and keeps a record of their accounts and reference numbers to make future payments easier.

Self-service banking

offers convenient banking services on the go. With a phone call, customers can obtain settlement letters, account balances, tax certificates, Absa Rewards redemptions and more. The calls are secure, providing peace of mind and enabling customers to bank easily.

Cell phone banking

can be done using any phone and requires no downloads, data or airtime. SA customers can transfer money, buy airtime and electricity, and do much more by dialling *120*2272#.

Hello Money SA Customers dial *161*234# to access Hello Money without needing data. SA customers can send money to anyone via CashSend – even if the receiving party has no account.

Timiza (Kenya) Customers can obtain an instant loan, send money, pay bills or purchase airtime, and obtain insurance when using the Timiza app on their phones. Customers can also save and earn returns with Absa's Timiza Savings Account.

JUMO (Tanzania, Ghana and Zambia) is a mobile financial services platform for mobile network operators and banks. The platform facilitates digital financial services, such as credit and savings, in emerging markets using Unstructured Supplementary Service Data (USSD) short codes.

Absa online banking

is a banking platform that makes banking easier, quicker and better. We offer a superior banking experience so customers can spend less time navigating and more time banking.

Branches, ATMs and PoS devices

deliver an extensive physical footprint across 15 countries, comprising 919 branches, 6 416 ATMs and 114 895 PoS devices.

As our customers become more digitally active, our physical footprint will continue to reduce.

Our Banking app

is the safest way to bank, and customers do not need data or Wi-Fi. Customers using the app have free protection through a digital fraud warranty. All customers need is a smartphone to bank wherever and whenever.

ChatBanking

is a world-first secure banking service that allows customers to bank using Facebook or WhatsApp.

Call centres

Sales, service, and general enquiries. Interactive voice response capability.

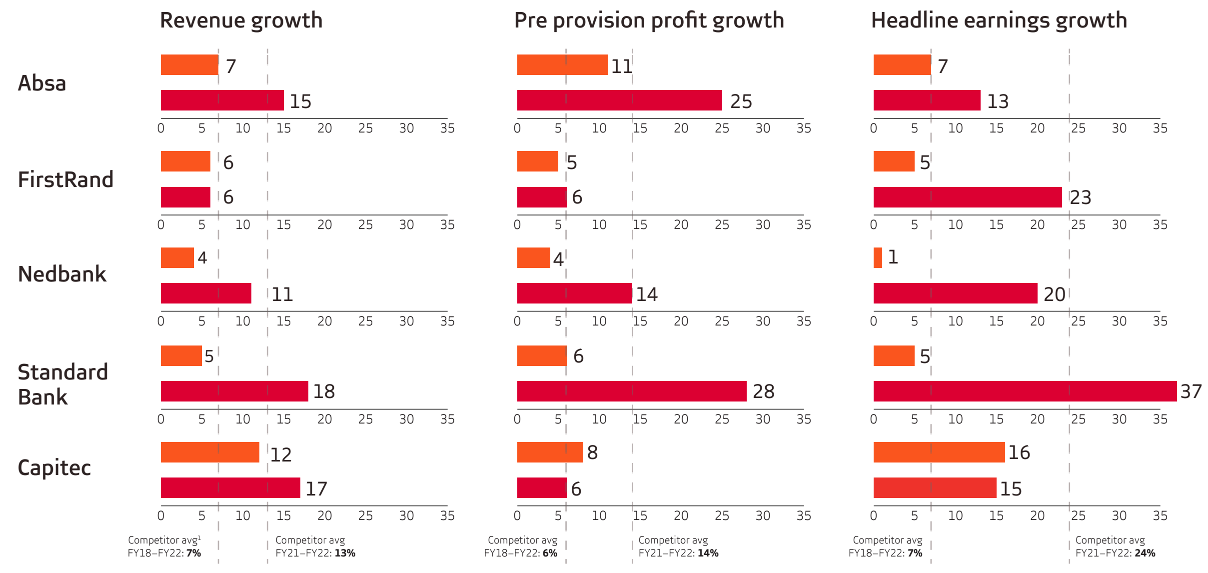
Absa in the African banking context

"The African market contains a broad spectrum of local, regional, and global banks, as well as emerging fintechs and digital players. The table below provides a view of the Group's position relative to our most significant peers in each country."

Country	Gross domestic product (GDP) (USD'bn)	GDP growth[2] (%)	Population[2] (million)	Banking revenue pool[3] (R'bn)	Number of banks[3]	% of total banking income held by top five banks[3]	Absa relative to peers[1]: Rank by income	Absa relative to peers[1]: Return on equity	Absa relative to peers[1]: Cost-to-income
Botswana	18.0	4.1	2.4	10.9	11	81.6	2nd	4th	3rd
Ghana	76.0	3.6	32.1	44.5	27	49.2	3rd	1st	1st
Kenya	114.9	5.3	50.9	65.8	39	61.9	5th	3rd	4th
Mauritius	11.5	6.1	1.3	13.8	20	96.2	3rd	5th	4th
Mozambique	17.9	3.7	32.9	19.2	20	80.6	4th	4th	5th
Seychelles	2.0	10.9	0.10	1.7	7	99.9	2nd	3rd	5th
South Africa	411.5	2.1	61.1	564	64	82	3rd	2nd	1st
Tanzania[4]	76.6	4.5	61.5	24.6	40	68.3	3rd	3rd	3rd
Uganda	48.4	4.4	43.7	16.6	27	64.9	3rd	3rd	5th
Zambia	27.0	2.9	20.0	17.4	17	60.6	2nd	2nd	1st

[1] South Africa: Based on similar universal banks' 2022 financial results (excluding Capitec financial results not yet available). ARO: Top five bank's per income – 2021 financial results.
[2] Source: GDP, GDP growth and population statistics from IMF data tracker.
[3] Source: BankFocus estimates.
[4] NBC only does not include Absa Bank Tanzania.

South African peer comparison



FY18–FY22 compound annual growth rate (CAGR) | FY21–FY22 CAGR | [1] Average for percentage point difference for competitors.

[1] Adjusted to Absa's fiscal year for FirstRand and Capitec.
[2] Average for pt difference FY18–FY22 for competitors.
[3] Capitec FY21 reflects February 2022 results.

Empowering Africa's tomorrow – our strategic intent

Group Chairman's message

"Being purpose-led will enable the Group to navigate difficult choices, meet the needs of our broader stakeholders, and inspire our people and clients."

Sello Moloko
Group Chairman

Context

Just as the world appeared to be returning to normal following two years of a global pandemic, a series of economic, market and geopolitical headwinds resulted in 2022 being another year beset with challenges.

The Russia-Ukraine war resulted in significant volatility in global markets while supply chain disruptions added to inflationary pressures and growing concerns about the slowing global economy.

Against this backdrop, growth in sub-Saharan Africa slowed to 4.1% in 2022 from 4.7% in 2021. Rising food and energy prices have dealt a blow to the region's most vulnerable communities, and public debt and inflation reached levels not seen in decades.

Absa Regional Operations

Economies that form Absa Regional Operations (ARO) performed better than our initial expectations, but momentum has been insufficient to return growth to pre-pandemic levels. Zambia and Ghana faced funding crises that required assistance from the International Monetary Fund (IMF). Zambia successfully concluded its funding agreement with the IMF, and we hope Ghana will soon reach a similar arrangement. In Kenya, we observed relative stability after the elections in August, but the fiscal picture remains challenging, and the sovereign saw a ratings downgrade.

In these challenging economic times, I am grateful for the expertise and oversight of the chairmen and boards of our ARO bank subsidiaries. Engagement with the chairmen continued, with productive discussions on various topics such as financial performance, strategy, technology, sustainable finance, and talent, in particular at our July 2022 Africa Chairmen's conference in Nairobi.

South Africa

The deterioration of economic infrastructure, state-owned enterprises (SOEs) that are heavily reliant on public funds, persistent power outages that are constraining economic growth and high unemployment in South Africa paint a picture of a country at risk of social instability. The decision by the Financial Action Task Force (FATF) to place South Africa on its 'grey list', underscores this worrying trend of a decline. While we do not expect FATF's move to have any material direct impact on Absa in the short term, in broad terms, we are concerned about the state of SA Inc.

These headwinds point to a difficult period ahead that will require companies to navigate carefully. As Absa, we will continue to work with relevant industry bodies and stakeholders to support the broader national effort to address our challenges.

Absa's purpose and strategic direction

Despite the challenging economic backdrop across our operations, Absa's recovery from the COVID-19 lows of 2020 gained further momentum in 2022.

We recorded strong financial results for 2022 on the back of solid revenue growth.

This performance can be attributed to the effective execution of our strategy and the successful implementation of our optimised operating model. During the year, the Board oversaw the strategy refinement and reconfiguration of this operating model as part of the journey to enhance market competitiveness.

At a high level, improving primacy remains a crucial pillar of the strategy. As such, the Group has moved from two commercial businesses to five client-centric business units (see the *Group CEO's message*).

The Board is fully supportive and believes these changes are essential to the journey to become a leading African bank. We also believe the executive team has made progress in delivering against *all five pillars* of the strategy as detailed in this Integrated Report.

Our strong purpose of *"Empowering Africa's tomorrow, together... one story at a time"* is the cornerstone of everything we do. We aspire to be a leading Pan-African organisation that positively contributes to the world. Being purpose-led will enable the Group to navigate difficult choices, meet the needs of our broader stakeholders, and inspire our people and clients.

In this spirit, we have embarked on a culture journey to enhance our competitiveness. Our organisational culture seeks to create an environment that embraces each individual and fosters people-centred leadership to enable our employees to thrive. We are pleased by the strides we have made, and the public recognition received in this regard.

Our purpose finds no greater expression than in our approach to ESG. We believe our three focus areas – **financial inclusion, diversity and inclusion, and climate** – will enable us to make a greater impact in the communities in which we operate. We are committed to extending financial inclusion to underserved groups and helping our clients to access and create intergenerational wealth.

We are proud of our Young Africa Works programme – a five-year collaboration between Absa Bank Ghana and the Mastercard Foundation to stimulate the growth of SMMEs to create access to 50 000 dignified and fulfilling jobs for young people and women in the country.

We have raised the bar on our transformation, diversity and inclusion aspirations, supported by our targeted interventions to train and empower our leaders.

With regards to climate, the increase in the frequency and intensity of destructive weather events across the continent underscores the urgency for solutions that tackle climate change. As a Group, we believe we have a critical role to play.

Accordingly, we have undertaken several initiatives including efforts to improve Board capacity regarding ESG so that we enhance our oversight capability on the matter. In addition, we have publicly announced our net-zero ambition in line with our goal of becoming Africa's leader in sustainable finance.

Ours is a continent in which carbon intensive industries are the bedrock of economies. We are mindful therefore, that transition efforts must consider societal repercussions and solutions must holistically address both social and environmental challenges. Our purpose will guide us as we seek to strike the right balance between our ESG focus areas while managing the trade-offs.

Board matters and Executive changes

On 31 March 2022, Wendy Lucas-Bull stepped down from the Board as Chairman. We are grateful for her leadership over her nine-year tenure and the significant role she played in the separation from Barclays PLC.

We congratulate and welcome Arrie Rautenbach to the Board after his appointment as Group CEO at the end of March 2022.

With Arrie's appointment, Jason Quinn resumed his position as Group Financial Director. We thank Jason for providing strong leadership during the transition.

At the same time, Punki Modise stepped down from the Board after a solid run as Interim Group Financial Director and executive director. We are pleased to welcome her as the organisation's first Chief Strategy and Sustainability Officer.

We expanded the Executive Committee to reflect our focus on core client segments, and we welcome the new crop of leaders into the team.

Going forward, a key focus area will be enhancing our succession planning approaches to ensure the organisation's stability and future sustainability both for the executive team and at Board level. We are looking to further broaden the diversity of the Board's skills and experience to foster comprehensive oversight and support to the management team.

Conclusion

My first year on the Board of Absa Group has been fulfilling. I am grateful to my colleagues on the Board for their welcome, guidance and support.

I have been impressed by the ability of the business to adjust to change swiftly, which is a testament to the strength of the leadership team. I commend them for their exemplary commitment. I also wish to thank the staff for their dedication in serving this organisation and our clients for their ongoing support.

The current business operating environment is challenging and looks set to be dominated by uncertainty in the near term. However, our business remains healthy, and I am comfortable that we are well positioned to successfully navigate these conditions in our quest to be a market-leading bank. I am confident about the strategic choices we have made and that we are well on the path to becoming a truly purpose-driven business that drives long term benefits for the Group and all its stakeholders.

Our purpose

Purpose is at the core of everything we do

Absa aspires to be a truly purpose-led organisation. This means making a proud and positive contribution to the world around us and putting our purpose at the core of everything we do.

This year, we began an immersive and inclusive journey to assess whether our purpose statement, **bringing possibilities to life**, continues to reflect who we want to be as a business. We started by unpacking the building blocks that sit at the intersection of what the world needs, what we have to offer, and what will make us proud. To do this, we conducted offsite workshops with our senior leadership team, engaged with our employees through surveys and virtual platforms, and held discussions with the Board and ExCo. What emerged were key themes around our role in powering Africa's possibilities, enabling our clients to realise their dreams, investing in people and exemplifying integrity. Building on this input, we finalised our new purpose statement in January 2023:

Empowering Africa's tomorrow, together
...one story at a time

Each word signifies a clear meaning and emotion:

Empowering

As a financial institution we empower and enable – from investing in our colleagues to uplifting our communities and enabling our clients' ambitions.

Empowering is active, every moment, walking together as partners.

We unlock opportunities for our clients through imagination, energy and passion, and finding innovative solutions.

Empowering ensures we invest in people and their capabilities.

Africa's

Our heartbeat is African. We are committed to a Pan-African presence and contribution.

We cherish our home; we care for it, and we invest in it. We feel a sense of wellbeing and warmth. Africa is a home we are proud of.

It is the continent of our birth more than 100 years ago.

tomorrow

We value our heritage and embrace the challenge of reimagining a better tomorrow – for our colleagues, our clients, and our communities. We know that every action we take, has a consequence for a meaningful tomorrow.

We relentlessly deliver on our commitments today with a long-term mindset through good times and bad.

We are stewards of a sustainably better world. Tomorrow embodies the aspiration of youth and future generations. Tomorrow represents one day to many years.

together

We are a trusted and caring partner, committed to working with all our stakeholders.

We embrace diversity and inclusivity. This strengthens us, unleashes everyone's full energy and enables better outcomes.

We are a collective, holding ourselves and each other accountable for our outcomes.

We are stronger together than alone.

We listen to many perspectives while remaining decisive. We work together to bring our strategic ambitions to life.

...one story at a time

Brick by brick we build a masterpiece – no matter how big or small.

We embrace Africa's heritage of storytelling. Stories bind us.

We see you. We hear your story – it inspires us to act and grounds us in what is real.

We believe that being purpose-led is essential, enabling the Group to navigate difficult choices with agility and ensuring we meet the needs of our broader stakeholders while also rallying and inspiring our people and clients. Ultimately, an embedded sense of purpose will support our long-term sustainability. Part of delivering on this purpose is having clear *leadership commitments*.

Our organisational purpose is unique and clearly articulated. It is brought to life in the interactions of our leadership, management, employees, customers, suppliers, host governments and local communities. Our conduct and how we do things are consistent with our purpose.

Strategic overview

The executive team identifies future opportunities during our strategic planning process. The executive team recalibrates our business model and strategic objectives based on the insights yielded by cross-functional risk management and integrated planning processes. Strategic opportunities are assessed with the same rigour as strategic risks.

Strategic journey

We have made substantial progress over the last six years and have built a strong foundation for growth. Having successfully navigated the separation from Barclays PLC and the COVID-19 crisis, we are now looking to the future and aim to raise our performance to new levels.

2017

A challenging start with long-term implications

Grappling with declining market share, weak revenue growth, rising costs and suboptimal capital allocations, and facing a complex separation process from Barclays PLC.

2018

Complex decisions with critical trade-offs

Delivering separation from Barclays PLC and stabilising the business led to a reduced focus on core business performance, impacting our revenue mix, our customer and colleague experiences, and our brand affinity in the market.

2019 – 2022

Addressing these risks while resiliently navigating the COVID-19 crisis

To halt decline in financial performance and maintain stability during the Separation process, we re-anchored and refreshed our 2018 strategy to ensure it remained relevant, given the changes in the economic context. This refresh was supported by a transformation in our leadership and operating model.

2023+

We have the platform to raise our ambition further to truly outperform the market

We will focus on transitioning from 'perspiration' to 'inspiration', not only concentrating on what we do, but also why we do it – our purpose. We will leverage the support of our leadership and the wider organisation to deliver on our strategy, building on the foundations that have contributed to our recent successes.

Strategic framework

We have set our aspiration to be a leading African bank, empowering Africa's tomorrow, together ... one story at a time. To drive outperformance, we are focusing on delivering against five strategic themes:

- **A diversified franchise with deliberate, market-leading growth:** We will be purposeful regarding where we compete, identifying attractive growth pockets by geography, segment, and product. We will allocate our capital sustainably and manage risk appropriately.
- **The primary partner for our clients:** We aim to be the primary partner for our clients by truly understanding and satisfying their day-to-day needs, creating and delivering value across the entire client relationship, and building a brand our people and clients can be proud of.
- **A digitally powered business:** We aim to be a digitally powered business – delivering a superior digital experience, using data as a strategic asset, continuously evolving our technology architecture, and improving trust and security while operating as a nimble organisation.
- **A winning, talented and diverse team:** We will build a winning team by developing a competitive advantage through our culture, attracting and retaining Africa's leading talent, organising distributed leadership around our clients and supporting and enabling our people.
- **An active force for good in everything we do:** We will be an active force for good by managing climate-change and biodiversity risks and opportunities, contributing meaningfully to the societies in which we operate, maintaining the highest standards of governance and ethics, and actively influencing public policy and regulation.

Strategic overview continued

A diversified franchise with deliberate, market-leading growth

Our ambitions concerning this strategic theme are twofold: we aspire to grow boldly, and we aim to eliminate costs that do not align with our strategic choices.

To support growth, we will first win in traditional banking pools in the face of a challenging economic outlook and increasing competition. We will also diversify our revenue pools by significantly scaling bancassurance and non-banking financial services, capitalising on emerging revenue pools such as digital assets, and through partnerships and inorganic growth in both existing and new markets.

Being a truly Pan-African bank is critical to enabling our growth ambition and scale. Leveraging our capabilities throughout the continent will assist in delivering sustainable growth and alleviating market-specific risks. While growth in most ARO markets remains strong, competition across ARO is fierce. Therefore, we require a renewed focus and commitment to retain and grow our market share. Our cross-border network provides a competitive advantage as it is critical to many clients – especially corporate clients.

We have set a target to reduce our cost-to-income ratio to the low 50s to create space for further investment in these growth opportunities while building financial resilience within a challenging environment.

Material matters

- Maintaining economic and strategic momentum
- Climate change and a just transition
- Digital dependencies and vulnerabilities
- Rising regulation.

Capitals

Managing our strategic trade-offs – Re-investing internally or pursuing external sources of growth

By diversifying our portfolio and capital allocation, leveraging our Pan-African operational capabilities, we believe we can alleviate market-specific risk (i.e., inflation, political stability, sovereign debt etc.). This approach gives rise to a primary trade-off, on whether we pursue growth by acquiring existing operations in new markets (inorganic) or retaining capital for investment in the existing business. It also relates to the decision to pursue partnerships, e.g., the relationship with *Sanlam* on the investment management business. This ongoing trade-off discussion is rigorously debated to ensure sound decisioning as and when opportunities arise.

The primary partner for our clients

In a rapidly evolving operating context, we must remain agile and proactive in developing relevant, innovative propositions. In line with this thinking, we continue to challenge ourselves on primacy and how we shape our business to achieve it, including how to harness the full power of the Group's ecosystem.

Resourced with our best talent, our new operating model will be essential in the battle for primacy. It will enable us to harmonise sales and customer value management across our businesses; create shared centres of excellence across products, channels and clients; and define clear measurements for primacy. In our bid for primacy and building deeper relationships with our clients, we need to balance non-interest revenue (NIR) and growing sustainable, capital-light revenues.

Finally, we will continue the journey of strengthening our brand by revising our positioning (linked to our purpose) and investment levels, and will align our marketing operating model to leverage the full power of our brand. We strive to ensure every action is built on our purpose to support organisational alignment and build brand affinity with clients and employees.

Material matters

- Maintaining economic and strategic momentum
- Climate change and a just transition
- Digital dependencies and vulnerabilities
- Rising regulation
- Social cohesion erosion
- Evolving employee value proposition.

Capitals

Managing our strategic trade-offs – Prioritising long-term relationships

Our strategic ambition to be the primary partner to our clients may incite a trade-off between short-term financial performance and the business' long-term relationships. However, we believe that our customer-centric pricing will deliver long-term sustainable returns as we seek to grow our universal model, integrating our customers, products and channels to deliver enhanced value for all within the ecosystem.

A digitally powered business

Being a digital-first business has never been more critical. Absa continues to pursue opportunities to accelerate our digital transformation to respond to increased competition and technological change that present opportunities to our business and client base.

We have successfully developed new digital propositions and will continue to simplify our offerings and accelerate our speed to market. To gain a competitive advantage, we recognise the need to continuously adapt and enhance our customer propositions supported by modern, agile technology. To achieve this, we are clear on where we must focus:

- Increasing our digital adoption and embedding digital-first ways of working in everything we do
- Deploying best-in-class digital customer journeys and relevant digital propositions in segments under threat
- Continuing the transformation and simplification of our technology architecture
- Scaling and commercialising our data pools
- Accelerating hiring, training and retention of critical digital skills
- Using digital advancements to transform our cost base.

Material matters

- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

Capitals

Managing our strategic trade-offs – Prioritisation and innovation

Within our digital ambition, an ongoing and active trade-off decision must be made between allocating our finite resources to urgent, time-bound operational matters and our recognised need to innovate. For example, if we evolve our core technology too slowly, we risk losing relevance and the ability to deliver at pace, however, we will face increased operational risk should whole-scale change impact business continuity.

A winning, talented and diverse team

We want purpose to be the cornerstone of our culture and ways of working. Therefore, we have co-created our organisational purpose with our employees to ensure it reflects the heart of our organisation – our people. Moreover, our realigned operating model aims to create improved ways of working, simplify governance and accelerate talent mobility.

We seek to be a leader in shaping a transformed business that fosters diversity, equity and inclusion. Our ambitious diversity and inclusion targets are supported by a comprehensive set of interventions, for example, a leadership transformation programme to train and empower our business leaders. We continue to focus on being an employer of choice for women, providing women within our organisation with opportunities for growth. We are shifting our mindsets and behaviours to distribute leadership through ongoing coaching and development and are mobilising our talent across roles and borders.

Absa aspires to achieve a best-in-class employee experience. In line with this objective, we have made implementation enhancements within our remuneration framework and continue to offer a diverse range of benefits to our colleagues. The ongoing development of an employee share scheme will further enhance these benefits, increasing employees' sense of ownership and desire to contribute to the Group's success.

Material matters

- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

Capitals

Managing our strategic trade-offs – Investing now to grow our own timber

Developing our own talent (in order to 'grow our own timber') is a key choice we are making as we seek to forge a workforce that has the requisite skills to future-proof the Bank. This is becoming increasingly crucial given the broader scarce skills environment and global war for talent faced by organisations worldwide – especially with respect to digital skills. Developing our own talent to build skills internally will require up-front investment (both financial and time), a necessary trade-off as we seek to create a winning, talented and diverse team in an increasingly competitive environment.

Strategic overview continued

An active force for good in everything we do

We want to drive measurable, material change in our communities in a way that brings our purpose to life, differentiates us from our peers and strengthens our business. To do this, we have identified three specific ESG focus areas where we will invest:

- We seek to significantly impact the fight against **climate** change by becoming a major player in sustainable finance transactions and setting ambitious net-zero carbon targets. As we craft our climate ambition, we recognise that the sustainability challenges we face as a Pan-African bank differ from those faced by banks in other parts of the world due to the significant social challenges within our context.
- We therefore also actively promote **financial inclusion** to underserved groups as we strive to make intergenerational wealth creation accessible to all, in particular women and youth. As a universal bank, we are uniquely positioned to make a real difference in financial inclusion.
- It is our ambition to be a beacon of **diversity and inclusion** across the continent. This means not only unleashing our talent internally to outperform, but also supporting and enabling diversity and inclusion with our suppliers (e.g., Enterprise supplier development), clients, and communities we operate in.

To achieve this ambition, we have established an operating model that scales our collective impact, operating within a resilient and robust control environment. This supports our Group-wide commitment to the highest standards of governance and ethics.

Material matters

- Maintaining economic and strategic momentum
- Climate change and a just transition
- Rising regulation
- Social cohesion erosion.

Capitals

Our sustainability priorities are embedded within our business strategy.

Managing our strategic trade-offs – Safeguarding future value creation through today's strategic choices

Our sustainability strategy accounts for several strategic trade-offs as we continuously seek to implement ESG practices in a way that resonates among our multiple stakeholder groups. Given the African context, we face a far more complex decision in the relative priority of environmental versus social matters. Social matters are an inherent priority; our stakeholders place high relative importance on social dimensions, and we, as a bank across Africa, are uniquely positioned to make a difference. As such, the choice of our ESG priorities (climate, financial inclusion and diversity and inclusion) is grounded in three aspects and their underlying trade-offs, informing their materiality to Absa:

- The relative importance and priority of the topic to our stakeholders (e.g., including investors, customers, and employees
- The potential impact on our business of the topic – informed by the potential risk posed (e.g., climate change) and the business opportunity presented (e.g., green financing)
- The unique strengths of our business and, as a result, the topics Absa is well positioned to make a difference in.

Particularly on climate, we are giving due consideration to supporting a just transition as we set our ambitions. Our purpose will guide us as we seek to strike the right balance between our ESG focus areas while managing the trade-offs presented.

Resource allocation to strategic initiatives

Resources are used to differentiate ourselves and maximise value creation for our stakeholders in the long term. We have made trade-offs on our resource allocation aligned with our strategic ambition and are clear on areas requiring further investment. This is demonstrated through our investment in implementing our renewed operating model, specifically in establishing our Strategy and Sustainability function and the supporting roles within the business to drive our ambition of being an active force for good.

We have been deliberate about distributing investment support into the business units and, in parallel, allocating an aligned change portfolio, focusing on projects that affect a large portion of the organisation and have a significant positive financial, regulatory, reputational or customer impact. Our change investment portfolio comprises 335 initiatives with a 2023 demand of R5.5 billion in line with our current proposed budget for 2023. We continue demonstrating our ability to deliver on our strategically aligned change portfolio. This can be evidenced by the successful delivery of Separation (on time and below budget) as well as the continued year-on-year improvement in spend (a proxy used for delivery capacity) of 94% of the budget in 2022 compared to 91% in 2021, and realisation of 96%, or R2.6 billion, of planned direct benefits.

Examples of resource allocation include:

R3.3bn investment in digitally powering our business

R0.2bn growth in our resilience portfolio, which focuses on cyber and data capabilities

R0.2bn change in spend allocated to support our purpose, brand and culture journey

R0.4bn allocated to our strategic ambition of being an active force for good

16% of operating expenditure spent on change portfolio

R0.8bn increased allocation to our change spend in 2023, aligned with our renewed strategic focus

As we continue execution in 2023 on the back of strong momentum and delivery, we remain confident that we are fully resourced to deliver against our strategic ambition. We acknowledge the economic headwinds and cost pressures across the organisation, and are prepared to continuously and dynamically manage our resource allocation accordingly, guided by our clear vision of our overarching strategic objectives and purpose.

Strategic scorecard

To achieve our ambition to outperform the market, we must transform the way we engage across the Group and share progress on our strategy. We have always leveraged a strong measurement capability and will now formalise a framework for measurement that elevates selected measures at a Group level, illustrating progress in strategy execution and aligning these with incentives and performance management. Strategic measures will be reported externally, while medium-term metrics will be cascaded internally from strategic measures to support alignment between Group and business unit strategies. More granular and operational metrics will be cascaded further, tailored to specific business units and will be more frequently measured.

Key performance indicator	2022 actual	2022 target
Diversified franchise with market-leading growth		
Revenue (R'bn) (Year-on-year % growth[1]). ***2024 ambition:*** Use strong internal capital generation combined with improved primacy to grow ahead of the market	98.9 (15)	90.2 (6)
Return on equity (RoE) (Normalised) (%) ***2024 ambition:*** Maintain our returns above the cost of equity and target market-related returns of above 17% over the medium term	16.6	15
Cost-to-income (CTI) ratio (%) ***2024 ambition:*** Capture value through improved operating efficiency to create scope for investment in digital and new ways of work. Target a CTI ratio in the low 50s	51.5	54.9
Non-interest revenue growth[1] (%)	18	9
Primary partner for our clients		
Customer numbers • RBB SA customer numbers (m) • RBB ARO active customers (m)	 RBB SA: 9.7 RBB ARO: 1.7	 RBB SA: 9.8 RBB ARO: 1.7
Customer satisfaction RBB SA – Net promoter score (NPS) (%) RBB ARO customer experience composite measure (%) • Retail Bank • Business Bank CIB client composite measure (Growth %)	 RBB SA: 44 RBB ARO: • Retail Bank 66 • Business Bank 53 CIB 2	 RBB SA: 43 RBB ARO: • Retail Bank 65 • Business Bank 56 CIB 5
Digitally powered business		
Digitally active customers RBB SA (k) Retail Bank ARO (%) Business Bank ARO (%) CIB SA (%) (Absa Access active customers) CIB ARO (%) (Absa Access active customers)	 RBB SA: 2 313 Retail Bank ARO: 62 Business Bank ARO: 34 CIB SA: 58 CIB ARO: 65	 RBB SA: 2 459 Retail Bank ARO: 65 Business Bank ARO: 30 CIB SA: 85 CIB ARO: 85
Winning, talented and diverse team		
Employee experience index (Points out of 100)	68	66.7
Women in senior leadership (%)	37.0	41.5
An active force for good		
Sustainability-linked financing facilitated – CIB (R'bn)	30.5	30
B-BBEE status (Level)	1	1
S&P SAM (ESG rating) (Percentile of global banks)	89th	>80th

Our short-term and long-term incentive scorecards are aligned with metrics in the Group balanced scorecard. We believe our executive remuneration consists of an appropriate mix of short-term and long-term remuneration, underpinned by balanced scorecards, to ensure alignment with long-term value creation.

[1] In constant currency.

Our business model

Our purpose

Empowering Africa's tomorrow, together *... one story at a time*

Strategy

A diversified franchise with deliberate, market-leading growth

The primary partner for our clients

A digitally powered business

A winning, talented and diverse team

An active force for good in everything we do

Market presence

A Pan-African footprint in 15 countries servicing individuals, small- and medium-sized businesses, corporates, multi-nationals, financial institutions, banks, governments and development finance institutions. We offer several *ways to do banking*.

Our operating context is impacted by several *material matters* namely:

- Maintaining economic and strategic momentum
- Climate change and a just transition
- Digital dependencies and vulnerabilities
- Rising regulation
- Social cohesion erosion
- Evolving employee value propositions.

Our core banking activities, products and services

Underpinned by our strategy and market presence, our fully integrated business offering is delivered through our customer-first digital solutions, ecosystems of financial services, and lifestyle and value chain offerings.

1 Providing payment services and a safe place to save and invest

Accepting customers' deposits, issuing debt, facilitating payments and cash management, providing transactional banking, savings and investment management products and international trade services.

2 Providing funds for purchases and growth

Extending secured and unsecured credit, based on customers' credit standing, affordability and risk appetite. Trade and supplier finance, working capital solutions, access to international capital markets and inter-bank lending.

3 Managing business and financial risks

Providing solutions, including fixed rate loans, pricing and research, as well as hedging, which includes interest rate and foreign exchange.

4 Providing financial and business support

Providing individual and business advice, advisory on large corporate deals and investment research.

5 Protecting against risks (insurance)

Providing savings and investment policies and compensation for a specified loss, such as damage, illness or death, in return for premium payments.

How it works

We generate revenue through interest, fees, premiums and commission

Potential for cost differentiation

- Leveraging our scale in multiple geographies
- Ability to deliver cost reduction through digitisation
- Enhanced operational efficiencies using automation that contributes to enhanced service levels
- AI in fraud analytics and safe customer service.

Potential for revenue differentiation

- Diverse revenue streams across our portfolio and geographies
- Large customer base in retail, business and corporate banking
- Regaining market leadership, increasing market share and cross-sell ratio, within an appropriate risk appetite
- Scope to grow product lines where we are underweight in terms of market share
- Emphasis on transactional customer relationships opposed to debt led-relationships, winning customer primacy
- Strengthening services to multinational corporations, global development and non-governmental organisations
- Potential for reaching the unbanked
- Opportunities to support a just transition to low-carbon economy
- Leveraging strategic partnerships.

Capital inputs

Value is created over time as stocks of capitals increase

Business model dependency on capital: Low / Medium / High

Long-term value created per capital: Low / Medium / High

Human Capital

Our people are our strength, so our business model is dependent on our human capital.

- 189 combined years of ExCo experience
- 37% women in senior leadership
- 79.3% AIC employees
- 9.2% turnover rate.

Financial Capital

As a financial services provider our primary capital created and transformed is financial capital.

- Total deposits of R1 242bn
- Gross loans of R1 258bn
- CET1 of 12.8%
- NIR to total income of 38.9%.

Intellectual Capital

As a bank we are systemic to the financial system. Systems, processes, protocols and technological architecture provide effective security and protection to our customers' data and wealth.

- R3.3bn planned digital spend.

Social and Relationship Capital

Our relationships with key stakeholders are crucial for our license to operate.

- Shared values and behaviours
- Understanding stakeholders' needs and expectations.

Manufactured Capital

We maintain a physical footprint although manufactured capital only makes up 0.9% of total assets.

- Global trend towards digital banking
- 919 branches
- 114 895 PoS devices.

Natural Capital

We are not a large consumer of natural capital. However, our lending decisions can affect natural capital under the stewardship of others.

- 5.04 tCO_2 carbon emitted per FTE
- 216 GWh energy consumption.

Key outcomes

Net positive

- R98.9bn revenue
- 51.5% CTI
- 16.6% RoE
- R10.2bn economic value to investors

Net positive

- R27.9bn paid to employees in salaries, incentives and benefits
- 68 employee experience index score
- 94% retention of high-performers
- 61% female employees

Net positive

- 11.4m customers
- Increase in customer experience scores

Net positive

- R32.4bn in sustainable and loan financing
- Level 1 B-BBEE rating
- S&P SAM 89th percentile
- 79 173 consumers participating in financial education
- 29 881 ReadytoWork participants
- R22.2bn procurement spend from a diverse supplier base
- R267m in community support
- R11.1bn economic value to government

Net positive

- 3m digitally active customers
- 99% digital service availability

Financial Inclusion

SDG 1 SDG 8 SDG 10

Make inter-generational wealth accessible for all

Climate

SDG 7 SDG 13

Be a leader in sustainable finance

Diversity, transformation and inclusion

SDG 5 SDG 10

Enable all our people to bring their true selves to work, and be a beacon of inclusion across the continent

Governance

SDG 16

A non-negotiable priority

We have identified our strategic objectives and gauged how their achievement will enable us to achieve our purpose and contribute to the SDGs.

Our business model continued

Value over time

Capitals	Unit	5-year trend	Long term 2018	2019	Medium term 2020	2021	Short term 2022
Financial capital							
Primary interest groups: Shareholders, Absa		**Strategic theme:**					
Revenue	R'bn	▲	75.7	80.0	81.4	85.9	98.9[EA]
Non-interest income growth	%	▲	5	4	(3)	2	18[EA]
Headline earnings	R'bn	▲	16.1	16.3	8.0	18.6	21.0[EA]
Return on equity	%	▼	16.8	15.8	7.2	15.8	16.6[EA]
Cost-to-income ratio	%	▼	57.7	58.0	56.0	55.2	51.5[EA]
CET 1	%	▲	12.0	11.8	11.2	12.8	12.8[EA]
Return on average assets	%	▼	1.34	1.20	0.52	1.18	1.23[EA]
Net interest margin	%	▼	4.64	4.50	4.17	4.46	4.56[EA]
Net stable funding ratio	%	▲	110.2	112.7	115.8	116.1	113.4[EA]
Liquidity coverage ratio	%	▲	109.9	134.4	120.6	116.8	124.6[EA]
Credit loss ratio	%	▲	0.73	0.80	1.92	0.77	0.96[EA]
Risk-weighted assets	R'm	▲	818 592	870 406	915 061	931 524	1 007 993[EA]
Stage 3 ratio	%	▲	5.1	4.7	6.3	5.4	5.3[EA]
Total capital adequacy ratio	%	▲	15.4	15.5	15	17	16.6[EA]
Gross loans and advances	R'bn	▲	872	977	1 058	1 134	1 258[EA]
Total deposits	R'bn	▲	736	944	1 048	1 174	1 242[EA]
Total shareholder return	%	▲	(5)	(1)	(16)	30	35
Total economic value distributed	R'bn	▲	68.2	70.6	59.3	75.8	83.2
Economic value retained	R'bn	▲	9.5	10.1	5.2	19.8	15.1

Proofpoint: South African Listed Tracker Awards (SALTA) 2022 - Best total investment returns over the past one-to-ten years in several categories

Capitals	Unit	5-year trend	Long term 2018	2019	Medium term 2020	2021	Short term 2022
Human capital							
Primary interest groups: Employees, Absa		**Strategic theme:**					
Employee experience index	Points/100	▲	N/A[1]	N/A[1]	64.1	64.7	68[IA]
Retention of high-performing employees	%	▲	93.8	93.1	96.4	94.3	94[IA]
Management control – Employment equity	Points/12	▲	8.61	8.88	8.88	9.18	9.80[IA]
Women in senior leadership	%	▲	35.0	35.0	35.3	35.0	37.0[IA]
Employee headcount	Nr	▼	40 856	38 472	36 737	35 267	35 451[IA]
Turnover rate	%	▲	9.1	11.9	7.0	8.7	9.2[IA]
Economic value to employees	R'bn	▲	24	25.7	25.1	26.2	27.9[IA]
Absenteeism rate	%	▼	1.9	1.6	1.1	1.7	1.4[IA]
Employee training and development spend	R'm	▲	426	451	406	449	500[IA]
Female-to-male ratio (gender equality)	%	◄►	61:39	61:39	61:39	61:39	61:39[IA]
Employee headcount below the age of 40 (age neutrality)	%	▼	N/A[1]	N/A[1]	57.7	54.8	52.2[IA]
AIC employees (SA only) (race equality)	%	▲	74	75.8	76.4	77.3	79.3[IA]
Absa Way Code of Ethics training completion	%	▲	N/A	96.5	92	N/A[3]	98.5[IA]

Proofpoint: Top Employer Africa 2023, score of 87.1% in employee experience and employment practice. (Global best-practice benchmark score of 85.2%)

Legend

[IA] Data point assured by Internal Audit as part of the *integrated reporting assurance process*.
[EA] Data point assured through *external assurance process*.
[EXT] Data point from independent external source.

We recognise that value creation for one type of capital may create, preserve or erode value creation across another type of capital.

Capitals	Unit	5-year trend	Long term 2018	2019	Medium term 2020	2021	Short term 2022
Intellectual capital							
Primary interest groups: Customers, employees, Absa		**Strategic themes:**					
Digitally active customers – total[1]	m	▲	1.5	1.6	2.4	2.7	3[IA]
Total severity 1 and 2 incidents	Nr	▼	12	7	4	3	0
Retail digital channel availability	%	◄►	N/A[3]	99.3	98.5	99.4	99.3
Service availability for the Group	%	▲	99.89	99.93	99.95	99.97	99.96
Brand value ranking[2]	Rank	▼	4th	4th	4th	6th	5th[EXT]

Proofpoint: The Digital Banker - Middle East Africa Retail Banking Innovation Awards 2022- Best Digital Bank – South Africa

Capitals	Unit	5-year trend	Long term 2018	2019	Medium term 2020	2021	Short term 2022
Manufactured capital							
Primary interest group: Customers		**Strategic themes:**					
ATMs	Nr	▼	10 069	10 050	9 734	8 666	6 416[IA]
Branches	Nr	▼	1 063	1 013	991	953	919[IA]
PoS devices	Nr	▼	N/A[3]	115 708	121 788	124 898	114 895
Property and equipment	R'bn	▼	15.8	18.6	17.1	16	15[EA]

Proofpoint: Technology Innovation of the Year Award 2022 for 'Branch-on-the-Move'

Capitals	Unit	5-year trend	Long term 2018	2019	Medium term 2020	2021	Short term 2022
Natural capital							
Primary interest group: Planet		**Strategic theme:**					
Loan exposure to fossil fuels	%	▲	N/A[3]	N/A[3]	1.6	1.3	1.7[IA]
Sustainable and loan financing – CIB	R'bn	▲	N/A[3]	N/A[3]	N/A[3]	18.6	30.5[IA]
– RB	R'bn	▲	N/A[3]	N/A[3]	N/A[3]	0.8	1.2[IA]
– Home loans	R'm		N/A[4]	N/A[4]	9	648	723[IA]
CDP rating	Rating	▲	C	C	C	B	B[EXT]
S&P SAM Index	Percentile	▲	86	89	92	93	89[EXT]
ESG bond and issuance - ESG loans	R'bn	▲	N/A[3]	N/A[3]	N/A[3]	N/A[3]	9.8
ESG bond and issuance - Treasury issued green bonds	R'bn	▲	N/A[3]	N/A[3]	N/A[3]	N/A[3]	4.5[LA, 6]
Energy consumption	GWh	▼	323.1	279.8	224.6	225.7	216[LA, 6]
Carbon emissions per m^2 of office space[5]	Per m^2	◄►	0.16	0.11	0.15	0.16	0.16
Transactions screened for environmental and social impacts	Nr	▲	116	84	73	95	233[IA]
Carbon intensity per full-time employee[5]	tCO_2	▼	5.53	4.01	5.18	5.34	5.04

Proofpoint: Best Investment Bank in Power/Energy (Global Sector Award)

1 *Basis of preparation and presentation* provides more detail about the reporting methodology used for this metric.
2 Ranking for 2018 and 2019 is South Africa only, as opposed to Brand Finance Africa ranking for subsequent years.
3 Metric not tracked at the time.
4 Project launched in 2020.
5 Not material to enterprise value but included to provide balanced disclosure of instances where value is eroded.
6 Refer to the ESG Report for details of the limited assurance.

Legend

[IA] Data point assured by Internal Audit as part of the *integrated reporting assurance process*.
[EA] Data point assured through *external assurance process*.
[EXT] Data point from independent external source.

Our business model continued

Value over time

Capitals	Unit	5-year trend	Long term 2018	2019	Medium term 2020	2021	Short term 2022
Social and relationship capital							
Primary interest groups: Society, regulators, customers, investors; suppliers		Strategic themes:					
Customer numbers	m	▲	N/A[2]	N/A[2]	N/A[2]	11.2	11.4[IA]
Customer experience – RB	Points/150	▼	N/A[4]	75	70	64	59[IA]
– EB	Points/150	▲	N/A[4]	81	84	87	90[IA]
– PSC	Points/150	▲	N/A[4]	78	81	84	86[IA]
– ARO RBB							
– Retail banking	Points/150	▲	N/A[4]	73.9	78.7	80	81.7[IA]
– Business banking	Points/150	▲	N/A[4]	63.1	73.1	70.4	70.5[IA]
Client experience – CIB	Points/150	▲	N/A[5]	72	72	79	79[IA]
B-BBEE status	Level	▲	2	1	2	1	1[EA]
Economic value to – suppliers	R'bn	▲	16.6	15.9	15.3	16.5	18.6[IA]
– investors	R'bn	▲	9.6	10.2	6	3.4	10.2[IA]
– government	R'bn	▲	8.2	8.3	7.3	9.8	11.1[IA]
– communities	R'm	◀▶	266	371	380	195	267[IA]
Regulatory fines and penalties[1, 3]	R'm	▲	1.4	9.8	9.6	2.1	3.7[IA]

Proofpoint: Inaugural National Presidential SMME and Cooperatives 2022 Award for Supporting Small Business Development for over 20 years

[1] *Basis of preparation and presentation* provides more detail about the reporting methodology used for this metric.
[2] Metric not tracked at the time.
[3] Not material to enterprise value but included to provide balanced disclosure of instances where value is eroded.
[4] Measured per previous operating model categories.
[5] Pan-Africa metric not tracked at the time.

Legend
[IA] Data point assured by Internal Audit as part of the *integrated reporting assurance process*.
[EA] Data point assured through *external assurance process*.
[EXT] Data point from independent external source.

Our external environment

Responding to trends is essential to remain relevant and is necessary to win in the medium term. We continuously scan the horizon for strategic opportunities.

Weakened growth and surging inflation hampering economic recovery

Throughout the COVID-19 pandemic, global supply chains were severely constrained. Renewed geopolitical tensions and the ongoing war in Ukraine have also disrupted commodity and food supplies. Combined, these factors have pushed the world's economy into a period of high inflation and given rise to a cost-of-living crisis across the globe. In an attempt to moderate price growth, the US Federal Reserve Bank raised interest rates several times over the course of 2022. This policy approach has sizeable knock-on effects on economic activity in emerging markets, many of which are already confronting elevated inflation and substantially higher public debt. In particular, US policy tightening results in capital outflows and reduced liquidity for emerging market players as investors reallocate capital to take advantage of higher rates of return. Rising interest rates also led to currency depreciation among emerging market economies, which reduces purchasing power and increases the difficulty of servicing sovereign debt. This risk is significant for Africa, and particularly sub-Saharan Africa, with many countries already facing a debt crisis and being forced to choose between servicing debt or funding social and economic reform projects.

Botswana – Strong macroeconomic fundamentals and transparency with a more robust monetary policy response to inflation. A new monetary policy framework was adopted in April 2022.

Ghana – Ghana's economy is slipping deeper into a crisis amid soaring inflation, aggressive monetary policy tightening and collapsing growth. In response to a possible default scenario, the government announced a domestic debt exchange programme.

Kenya – Real GDP slowed to an estimated 5.3% in 2022 from 7.5% in 2021 as base effects, a weaker agriculture sector and election uncertainty weighed on output.

Mauritius – Strong momentum in tourist arrivals has bolstered economic activity amid elevated inflation and tighter monetary policy.

The **South African** economy continued its gradual recovery from the pandemic, with the real GDP increasing to roughly its pre-pandemic level. Headline inflation in South Africa averaged 6.9% for the year. The South African Reserve Bank's (SARB's) cumulative 375 basis point hikes since November 2021 reflected higher inflation and inflation expectations than anticipated and the need for the real repo rate level to be more consistent with a stable inflation rate[1].

Volatility from extensive load-shedding has hampered economic progress. Power cuts saw a record high as unplanned outages and breakdowns escalated dramatically. Our econometric estimates suggest that each 1% reduction in electricity distribution cuts GDP by about 0.16% and manufacturing output by 0.44%. And, of course, these estimates do not account for the long-term impact on growth due to investment foregone as a result of the persistent electricity shortages. However, President Ramaphosa's far-reaching electricity plan presented in October 2022 is encouraging. Moreover, the African National Conference in December 2022 saw Ramaphosa re-elected as the ANC president. Global financial markets reacted positively to Ramaphosa's victory, with the rand strengthening against all three major currencies (dollar, pound sterling and euro).

The flooding experienced in KwaZulu-Natal in April 2022 destroyed significant infrastructure, with damages estimated to be near R17 billion[2], yet another shock to the South African insurance industry.

	Absa's top five presence markets				
	South Africa	**Botswana**	**Ghana**	**Kenya**	**Mauritius**
	Macroeconomic indicators 2022[3]				
Real GDP (% y/y)	2.3	6.1	3	5.3	7.6
Consumer price index (CPI) (% y/y)	6.9	12.2	31.9	7.7	10.8
Policy rate (% eop)	7.0	2.65	27	8.75	4.5
	Executive Opinion Survey 2022[4] – Top five risks				
	State collapse Debt crisis Collapse of services and public infrastructure Cost-of-living crisis Employment and livelihood crisis	Cost-of-living crisis State collapse Severe commodity supply crisis Failure of cybersecurity measures Debt crisis	Debt crisis Cost-of-living crisis Human-made environmental damage Employment and livelihood crisis Failure of cybersecurity measures	Debt crisis Cost-of-living crisis Employment and livelihood crisis Geopolitical contestation of resources Failure of climate-change adaptation	Cost-of-living crisis Debt crisis Rapid and/or sustained inflation Natural disasters and extreme weather events Severe commodity price shocks

Risk categories: Economic, Environmental, Geopolitical, Societal, Technological

[1] SARB: Monetary Policy Review, October 2022.
[2] SARB Financial Stability review, First Edition, 2022.
[3] Absa Economic Research Q1 2023 released February 2023. SSA Viewpoints pages 9, 13, 17 and 19. SA Quarterly Perspectives page 13.
[4] World Economic Forum – Global Risk Report 2023.

Our external environment continued

Increased competition and technological change disrupt traditional business models.

Increasing competition, advancements in digital technology, embedded finance, the need for innovative risk prevention, and rapidly evolving customer expectations are just some of the factors that are placing pressure on traditional banking business models.

During the COVID-19 lockdowns, many individuals **adopted digital behaviours** and now expect the ease of access and **personalisation** that have become the norm across other platforms. According to a recent McKinsey survey[1], 71% of those surveyed expect personalisation from businesses and brands, and 76% of those consumers get frustrated when they do not receive it. Within this context, traditional banks continue to focus on digital enablement and data-led innovation to meet consumer needs. At the same time, the competitive landscape for banks has evolved entirely, with an increasing number of digital-only providers and other non-banking competitors. Moreover, the rise in fintech consolidation has enhanced competition, with smaller competitors merging to create larger groups with broad offerings. To compete, banks are focusing on becoming the best ecosystem partners, partnering with retailers, e-commerce platforms and fintechs to acquire customers from these partnerships beyond their traditional channels.

While banks continue to become increasingly digitised, **cybersecurity risks** are on the rise, posing the threat of business interruption, **ransomware** attacks, data privacy breaches and material operational and financial costs. In fact, according to the Allianz Risk Barometer 2022, cyber incidents constitute Africa's top business risk.

Corruption, inflation, and rising inequality threaten social and economic stability

High inflation presents severe challenges to social cohesion over the short, medium and long term. The disproportionate reduction in the purchasing power of poorer households and those dependent on fixed incomes gives rise to rapidly widening income inequality. Rising inflation also distorts resource allocations and undermines productive activities, degrading growth prospects, investment and jobs[2].

According to the World Bank, the Southern African Customs Union member countries of Botswana, Eswatini, Lesotho, Namibia, and South Africa, represent the world's most unequal region. Notably, South Africa is the most unequal country in the world, among 164 countries in the World Bank's global poverty database[3].

South Africa suffers from one of the highest levels of inequality globally, with the 2022 World Inequality Report estimating that the top 10% earn over 65% of the national income and the bottom 50% only 5.3%[4].

Within this context, the South African government aims to build a capable, ethical and developmental state. However, the dysfunction of many public institutions at all levels of government has impeded development and continues to undermine business confidence, further hindering economic recovery. These conditions threaten social and economic stability increasing the risk of civil unrest and service delivery protests, disrupting business.

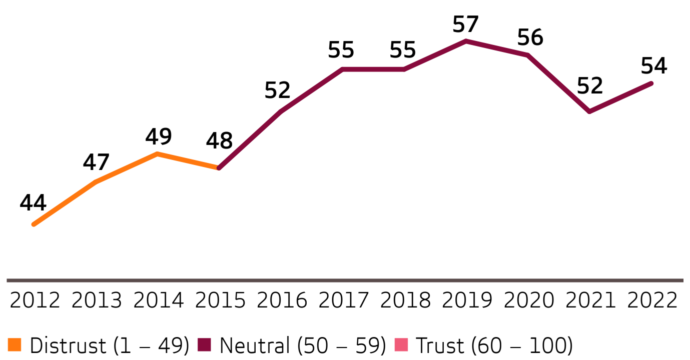
Business expected to empower a better tomorrow

The 2022 Edelman Trust Barometer cited business as the only trusted global institution to address the world's most pressing issues (including climate change and the energy transition), noting declining trust in governments, media and NGOs.

Financial services are fundamental to enabling economic opportunity through access to services such as banking, savings and investment, insurance and debt and equity financing. Likewise, economies depend on stable financial services that garner trust. While confidence in financial services has improved over the past decade, as an industry, we have not yet reached a trust status. Placing client primacy at the heart of banking is critical to ensure growth in trust going forward.

"Banks can sharpen their positioning through data-led innovation in their digital enablement efforts and trust-building with their core customers, by committing to ESG initiatives, and by showing their target customers that they can offer value that goes beyond just offering financial services and products[5]."

Trust in financial services: 10-year trend (%)



Financial markets can provide innovative and streamlined solutions at scale that address the unique features of African economies and support the development of local businesses. By deepening and expanding domestic capital markets, liquidity can be increased, costs of capital reduced, and green and innovative instruments developed. However, this requires more robust institutional and regulatory frameworks that promote transparent and efficient markets and increase investor confidence.

Pleasingly, there is a growing commitment across the continent to ESG-related financing. Nine African countries now offer sustainable financial products while 17 have sustainability-focused policies in place. Moreover, governments are working to ensure they are well-placed to attract global capital focused on long-term sustainability[6].

Changing employee expectations amid a war for talent

Our collective experiences of the pandemic fundamentally changed how we expect to work and the role of work in our lives. According to Microsoft's Work Trend Index 2022, which comprises information gathered from surveying 31 000 people across 31 countries, the number of hybrid employees rose 7% from 2021. Of those surveyed, 53% were likely to consider transitioning to hybrid in the year ahead. In addition, 47% of respondents say they are more likely to put family and personal life over work than before the pandemic.

According to the World Economic Forum[7], artificial intelligence, anti-money laundering and automation will create 97 million new jobs by 2025, with existing jobs continuously evolving as employees are increasingly expected to augment their technology skills. In fact, with organisations across all sectors becoming more digitally driven, the demand for these skills has exponentially heightened competition in recruiting and retaining critical and scarce talent.

Regulatory change to address new frontiers of risk

Fast-paced changes in regulation within the financial sector to address new frontiers of risk have heightened demands on banks to ensure compliance, resulting in, among others, the increased cost of banking. Initiatives by regulators indicate shifts to the industry over the medium to long term with efforts to further monitor the conduct of financial institutions, adopt interbank offered rates and increase requirements on digital management. Regulatory activity around crypto and digital assets is intensifying. South African regulators are expected to look to the developed markets for guidance, specifically the UK and the EU, as South Africa aligns with these countries on financial services regulation[8].

1 The value of getting personalisation right—or wrong—is multiplying, McKinsey & Company, 2021.
2 SARB: Monetary Policy Review, October 2022.
3 Inequality in Southern Africa: An Assessment of the Southern African Customs Union, World Bank 2022.
4 World Inequality Report 2022.
5 PwC – Retail banking 2025 and beyond.
6 Absa African Financial Markets Index 2022.
7 World Economic Forum, The Future of Jobs Report 2020.
8 PwC – Retail banking 2025 and beyond.

Our stakeholders' needs and expectations

We consider how our strategic actions affect our broader stakeholders. We recognise that the quality of our relationships with stakeholders impacts our ability to fulfil our purpose. Various mechanisms are used to measure the quality of our relationships.

Investor community

Who they are

- Over **53 000** local and international shareholders, including retail investors, asset managers, pension funds, sovereign wealth funds and corporate holdings
- Investment analysts
- Prospective investors
- Debt investors and credit rating agencies.

Needs and expectations

- Strong operational performance, including efficiency, revenue growth and returns
- Maintaining a well-capitalised balance sheet (strong capital and liquidity positions)
- Adequate, sustainable shareholder returns
- Sound risk management
- Transparent reporting and disclosures and effective communication
- Sound ESG practices.

Strategic response/value proposition

We effectively manage risk and create sustainable returns by:

- Ensuring Absa is well-diversified, both by revenue streams and geography
- Maintaining substantial market share in our presence countries
- Offering improving shareholder returns and a rising dividend pay-out ratio
- Ensuring strong capital and liquidity levels to support a solid balance sheet.

Measuring performance

- ▲ R98.9bn revenue (2021: R85.9bn)
- ▲ R21bn headline earnings (2021: R18.6bn)
- ▲ 34.5% total shareholder return (2021: 29.9%)
- ▲ 16.6% return on equity (2021: 15.8%)
- ▲ 0.96% credit loss ratio (2021: 0.77%)
- ▼ 51.5% cost-to-income ratio (2021: 55.2%)
- ▲ 1 300 cents total dividend declared (2021: 785 cents)
- ▼ Most shareholder resolutions were passed. We received an 81.45% (2021: 84.52%) vote in favour of the Remuneration Policy and 58.85% (2021: 93.96%) in favour of the Implementation Report. As required in terms of King IV and the JSE Listings Requirements and in line with our desire to foster value-enhancing dialogue, dissenting shareholders were further engaged regarding the Implementation Report on 30 June 2022.

Customers

Who they are

- **Individuals:** Entry-level to high net-worth individuals, across all ages
- **Businesses:** Sole proprietors; SME's; large corporates and multinationals
- **Public sector:** Local, provincial and national government and state-owned enterprises
- **Various other legal entities** such as development finance institutions, other financial institutions, trusts, non-governmental entities and associations.

Needs and expectations

- Cost-effective, convenient and innovative financial services
- Credible brand, trustworthy relationship, safety and protection against fraud encompassing physical and data security
- Responsible banking with transparent pricing
- Excellent customer service and advice
- User-friendly and reliable systems and ability to transact through their chosen platform
- Best practice safety measures for customer wellbeing.

Strategic response/value proposition

We deliver innovative technologies and propositions to help our customers empower their tomorrow by:

- Improving access to financial services and local, regional and global markets
- Deepening relationships with them through a life-stage/ecosystem approach
- Providing an extensive and accessible network combining physical outlets, call centres, digital platforms and strategic partners
- Protecting data privacy and ensuring cybersecurity through robust technology and data management.

Measuring performance

- ▼ 59 customer experience – RB (2021: 64)
- ▲ 90 customer experience – EB (2021: 87)
- ▲ 86 customer experience – PSC (2021: 84)
- ▲ Customer experience ARO RBB: 81.7 Retail banking (2021: 80) and 70.5 Business banking (2021: 70.4)
- ◀▶ 79 client experience CIB (2021: 79)
- ▼ 76% TCF – RB (2021: 80%)
- ▼ 88% TCF – EB (2021: 89%)
- ▲ 5th most valuable brand in Africa (2021: 6th)
- ▲ 99.8% digital channels service availability (2021: 99.4%) – RBB SA
- ▲ 100% digital channels service availability (2021: 99.8%) – CIB.

Employees

Who they are

- **35 451** employees (South Africa: 25 719; ARO: 9 556; international: 176)
- **60.8%** women and 39.2% men
- **79.3%** AIC[1] employees (South Africa)
- **52.2%** below the age of 40 and **84.9%** below the age of 50
- **16** recognised employee trade unions, covering **40.8%** of employees.

Needs and expectations

- An ethical workplace with opportunities to contribute to society and one that is supportive of environmental and social sustainability
- A diverse, inclusive and supportive workplace where all employees are treated equitably without bias
- Secure employment, strong leadership and change management
- Dynamic working hours and workspaces
- Fair and responsible pay and terms of employment with market-related remuneration and benefits
- Training, development and career opportunities
- A safe workplace.

Strategic response/value proposition

We create an environment where employees can fulfil their potential and deliver excellence to our customers by:

- Creating differentiated experiences and inspiring a diverse and inclusive workforce
- Attracting and retaining the best talent
- Encouraging self-led development and opportunities for career progression
- Delivering performance-based reward and recognition
- Providing a comprehensive wellness programme and supporting different ways of work.

Measuring performance

- ▲ 83% response rate for employee experience[2] survey (2021: 80%)
- ▲ 9.2% permanent employee turnover rate (2021: 8.7%)
- ▼ 94% retention of high-performing employees (2021: 94.3%)
- ▲ 56.2% senior AIC management (2021: 52.4%) remains below target
- ▲ R500m invested in employee training and development (2021: R449m).

Regulators

Who they are

- **Regulators:** The Prudential Authority, The Financial Sector Conduct Authority (FSCA), Financial Intelligence Centre, National Credit Regulator , Financial Services Board, The Information Regulator, Johannesburg Stock Exchange and equivalent in-country regulators
- **Industry bodies and associations:** Banking Association South Africa; Payment Association of South Africa and in-country industry bodies and associations
- **Revenue authorities:** The South African Revenue Service (SARS) and in-country revenue authorities.

Needs and expectations

- Compliance with all relevant laws and regulations
- Financial system stability spanning financial soundness to fair treatment of customers
- An ethical work environment
- Contribution to governmental development plans, national priorities, and the fiscus through fair tax payments.

Strategic response/value proposition

We support the creation of an environment that facilitates sustainable growth for all. We do this by working with regulators and providing input into policymaking and the development of regulations.

- Comprehensive regulatory change management programme
- Facilitating responsible banking by ensuring appropriate due diligence is followed
- Maintaining a transparent and constructive relationship with regulators.

Measuring performance

- ◀▶ 12.8% common tier 1 equity ratio (2021: 12.8%) remains above the Board target range and above minimum regulatory requirements
- ▲ 124.6% liquidity coverage ratio (2021: 116.8%) remains above regulatory requirements
- ▼ 113.4% net stable funding ratio (2021: 116.1%) remains above regulatory requirements
- ▲ 98.5% of employees completed preventing financial crime training (2021: 98.2%)
- ▲ 98.5% of employees completed the Absa Way Code of Ethics training (2020: 92%).
- ▲ R3.7m in regulatory fines and penalties (2021: R2.1m).

[1] All African, Indian or Coloured people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.

[2] As measured through our employee experience index.

Our stakeholders' needs and expectations continued

Society

Who they are
- Individual citizens
- Communities
- Civil society organisations
- Media
- Suppliers.

Needs and expectations
Meaningful contribution towards scalable and innovative solutions that address societal and economic challenges. This includes supporting key priority interventions related to disaster relief, national development plans, the UN SDGs and the global ESG agenda.

Strategic response/value proposition
Our societal interventions are aimed at meaningfully contributing to help create inclusive and sustainable economic growth aimed to impact our communities. We do this through:
- Preparing young people for the future of work
- Advancing financial literacy and inclusion
- Providing products and services with a positive social impact
- Supporting an inclusive and responsible supply chain
- Minimising the impact of our business and carbon footprint on the communities and society
- Supporting national development objectives and policies to stimulate inclusive growth generating and distributing economic value.

Measuring performance
- ◀▶ B-BBEE Level 1 (2021: Level 1)
- ▲ R267m economic value to communities (2021: R195m)
- ▲ 79 173 consumer education participants (2021: 32 639)
- ▼ 86.1% B-BBEE procurement as a percentage of the South African total (2021: 86.2%)
- ▲ R22.2bn total procurement spend (2021: R20.5bn)
- ▲ 29 881 ReadytoWork participants (2021: 20 620).

Planet

Who they are
The natural resources on which we, our stakeholders and future generations depend.

Needs and expectations
- Comprehensive climate-change response, increased transparency in risk management and sustainability-related policies and standards
- Proactive management of the environmental and societal impacts of our business to encompass lending practices and our operational footprint
- Mobilising funds to support the just transition to a low-carbon economy and support for other environmental priorities such as a circular economy and responsible consumption.

Strategic response/value proposition
We seek to address climate change and play an active role in minimising pressure on nature's resources by:
- Supporting customers in responsible consumption and the transition to a low-carbon economy
- Advancing our environmental and social risk management practices and capabilities in climate risk management
- Minimising our direct environmental impacts.

Measuring performance
- ▲ R6bn in renewable energy lending (33% of projects approved under round six of the REIPPP programme[1])
- ▲ 233 transactions screened for environmental and social impacts (2021: 95)
- ▲ Six Equator Principles transactions (2021: two)
- ▼ 5.04 tCO_2 carbon emissions per full-time equivalent employee (2021: 5.34 tCO_2).

[1] Department of Mineral Resources and Energy's Renewable Energy Independent Power Producer Procurement (REIPPP) Programme.

Engagement and quality of relationships

Absa continues to grow its reputation with significant improvements in stakeholder sentiment. This is according to the results of studies conducted by global insights and advisory consultancy GlobeScan[1]. Surveys are performed twice a year in the form of a 'LITE' survey conducted in the second quarter of the year and a 'MAIN' diagnostic survey in the fourth quarter. Results related to the "stakeholder engagement" category indicates the quality of the underlying relationship and stakeholder responsiveness.

Survey categories monitored:
- *Reputational leadership* assesses whether stakeholders spontaneously think of Absa as a reputational leader in the banking sector.
- *Thick trust* considers whether Absa is a recognised leader in terms of basic trust, overall impression, meaningfulness and level of advocacy.
- *Active advocacy* considers the degree to which stakeholders are willing to collaborate with Absa, recommend us to others, provide support in times of crisis and disbelieve negative information.
- *Stakeholder engagement* refers to the state of dialogue between Absa and others and the level of transparency, accessibility, proactive listening and action we demonstrate.
- *Engagement efficacy* reflects how effectively we engage with our stakeholders and build trust.
- *Corporate purpose and value creation* considers whether our stakeholders feel we demonstrate our purpose with integrity and through tangible actions and programmes.
- *Reputational attributes* inform the diagnostic of the overall sentiment towards Absa.

Key findings

Key reputational indicators remain strong and are trending up
Overall, key indicators continue to move positively, with a notable increase in active advocacy. This indicates that efforts by the various markets are gaining traction and manifesting in the desired level of collaboration with stakeholders. Absa continues to build trust across Africa, and we saw a 10% increase in our Thick Trust scores compared to when we started tracking our performance in 2017. It is also important to note that almost all markets scored above or close to the Group trust norm this year. This indicates collective effort from all markets across the Group.

While Absa is consolidating its position as a trusted leader in Africa there are opportunities to strengthen relationship building
We are consolidating our position as a trusted leader in many markets, indicative of a more consistent effort to respond to stakeholder expectations. However, while stakeholder engagement moves in the right direction, responsiveness to stakeholders and fostering two-way dialogue (two critical relationship-building metrics) have plateaued. Looking forward, we will promote more intentional two-way dialogue with stakeholders to continue our upward trajectory in building trust throughout Africa.

We can better leverage our purpose as a value-creating and trust-driving catalyst
The Group's performance on the value creation index and progress on the various citizenship pillars (which include financial inclusion, education and environmental action) remain static. This is an area where we can do more to meet stakeholder expectations, as our stakeholders have indicated that they want Absa to step more boldly into its leadership position in Africa and meaningfully influence sector and societal issues. We have responded strategically aiming to be an *active force for good in everything we do* – underpinned by our refreshed *purpose* and guided by our new leadership.

Performance indicators

▲ Value creation index:	▲ Stakeholder engagement index:	▲ Thick trust index:	▲ Active advocacy index:
71.89% (2021: 69.70%)	**69.65%** (2021: 68.15%)	**74.04%** (2021: 71.01%)	**71.82%** (2021: 67.15%)
All banks average benchmark: **72.95%** (2021: 71.18%)	All banks average benchmark: **69.17%** (2021: 67.97%)	All banks average benchmark: **69.39%** (2021: 70.50%)	All banks average benchmark: **70.71%** (2021: 67.41%)

788 stakeholder opinions across 10 countries and includes government, business, media, NGOs and senior financial services and banking sector analysts on the sell and investment side.

[2] GlobeScan | Know your world. Lead the future.

Material matters

Risk management overview

The Group actively identifies and assesses risks arising from internal and external environments while proactively identifying emerging risks. To ensure effective implementation, we monitor our consolidated response as follows:

- An integrated governance structure at Group, country, business and enterprise core function levels, promoting a sound risk culture
- Well-defined risk categories, known as principal risks, for complete risk coverage
- A combined assurance model with clear accountability for managing and overseeing the effective execution of assurance throughout the Group
- Comprehensive and structured processes for evaluating, responding to, and monitoring risks
- An entrenched risk culture underpinning an effective risk operating model and appropriate risk practices, tools and techniques to support the Group's strategy.

We developed the risk strategy alongside the Group strategy. The determined risk appetite defines the nature and amount of risk the Group is willing to take to achieve strategic objectives. This forms part of the strategic planning process to ensure the business strategy is achievable within the risk appetite, and we consider risk information in the organisation's decision-making and planning process.

Risk appetite

11

There were no undue or unusual risks taken outside of our tolerance levels.

The Group's risk appetite is defined as the types and amount of risk that Absa Group, its business lines and subsidiaries are prepared to accept to meet strategic objectives. It explicitly defines the risk boundaries within which management is expected to operate under business-as-usual and stressed conditions when pursuing the business strategy. Risk appetite statements are articulated in quantitative and qualitative terms and consider the expectations of multiple stakeholders. The statement seeks to strike a balance between potentially competing objectives of different stakeholders to balance strategy, capital, liquidity, franchise value, sustainability factors and shareholder value creation. These are cascaded to the level of principal risk, legal entity and business unit.

Risk metric		Group quantitative risk statement
Capital	Common equity tier 1 adequacy ratio (%)	The Group aims to have sufficient capital supply to remain within risk appetite and above minimum regulatory CET1 capital adequacy ratio post-management actions following a severe yet plausible stress.
	Leverage ratio (%)	The Group aims to remain within risk appetite and above regulatory minimum leverage ratio post-management actions following a severe yet plausible stress.
	Economic capital coverage (multiple)	The Group aims to have sufficient capital supply to remain within risk appetite and maintain an investment-grade credit rating post-management actions following a severe yet plausible stress.
Earnings	Earnings at risk (%)	With 90% confidence, the reduction in the Group's pre-tax earnings will not exceed a predefined level following a severe yet plausible stress.
	Credit loss ratio (bps)	The Group aims to maintain credit losses in its portfolios within risk appetite following a severe yet plausible stress.
Losses	Net operational risk losses to gross income (bps)	The Group aims to maintain operational risk losses post recoveries, below a certain percentage of gross income.
Liquidity	Liquidity coverage ratio (%)	The Group has sufficient high-quality liquid assets (HQLA) to survive a significant stress over a 30-day period.
	Net stable funding ratio (%)	The Group maintains a stable funding profile where available stable funding (ASF) is adequate to meet its required stable funding (RSF).

Risk theme	Group qualitative risk statement for 2023[1]
Business and strategy	• Focus risk-taking on activities and business engagements that are core to the business strategy. This includes products, customer segments and geographies as they relate to the Group's deposit taking, lending, transacting, trading, advisory, insurance and investment businesses. • Pursue risk-taking through activities that the Group understands and has the requisite skills and capabilities to manage. Continue to enhance the Group's skills and capabilities in line with emerging opportunities, trends and changing markets. • Minimise strategic drift in pursuing business objectives by proactively monitoring and timeously responding to material deviations from planned outcomes. This risk appetite statement takes cognisance of the continuous change in the business environment and emerging opportunities. Maintain alignment to strategy while ensuring that the strategy remains supportive of the Group's growth objectives, risk preferences and stakeholder value creation.

[1] As approved in November 2022.

Risk theme	Group qualitative risk statement for 2023[1]
People and leadership	• Recruit, train, develop and retain an appropriate level of skilled and capable human capital in line with an effective operating model design for resourcing, supporting systems, diversity and performance. • Align remuneration to support the delivery of strategic objectives and the efficient usage of financial resources in accordance with approved risk appetite. • The Group has no tolerance for any form of discrimination or prejudicial treatment based on age, culture, race, gender and disability, including harassment of any kind. • Leadership to set an example for a high-performing and values-based culture. • The Group has no tolerance for fraud by its employees and considers such unacceptable behaviour.
Operational and Resilience	• The Group aims to manage operational risks within tolerances to protect against material loss and/or damage to the Group and its customers. • Maintain robust systems, adequate processes and recovery capabilities in order to contain operational disruptions due to technology infrastructure failures, third-party services unavailability, cybersecurity attacks and lack of data protection. • Assess the technology and security emerging risks on a continuous basis to ensure the Group has a forward-looking view to which it must respond to. • Protect the Group's technology assets as it pursues its digital strategy, while maintaining value-adding data management and accelerating delivery of strategic initiatives.
Capital adequacy	• Maintain capital adequacy at levels that enable the Group to continue doing business under severe yet plausible stress conditions within the Board-approved risk appetite. • Maintain capital levels above minimum regulatory requirements under a very severe stress event. • Allocate capital optimally to generate appropriate returns and ensure the Group does not unduly hold capital in excess of the approved risk appetite.
Funding and liquidity	• Maintain a healthy liquidity position by holding adequate but not excessive buffers of high-quality liquid assets above minimum regulatory requirements. • Maintain the tenor composition of assets and liabilities at levels that ensure the sustainability of the Group's funding structure under business-as-usual and stressed conditions.
Concentrations	• Maintain a well-diversified portfolio at all times, while being cognisant of structural constraints that exist in specific markets in which the Group operates. Manage structural concentrations within approved risk appetite. • Conduct risk-taking activities in a manner that optimises concentrations in industries, sectors, products, counterparties, maturity, funding base, countries, types of collateral and credit protection providers.
Earnings volatility	• Maintain diversified sources of earnings through an economic cycle to ensure sustainable shareholder value creation. • Manage risk-taking activities within the Board-approved risk appetite for earnings volatility under business-as-usual and stressed conditions.
Conduct, legal and reputation	• Minimise the risk of our customers being harmed, or the integrity and stability of the market. • Regularly assess our customer engagement model to ensure we deliver on our customer-centric principles. • Uphold a satisfactory level of employee conduct and ethical behaviour when executing activities on behalf of the Group. • Comply, at all times, with regulatory requirements and other laws to which the Group and its subsidiaries are bound. • Maintain business activities and processes that uphold the Group's reputation, brand and franchise value.
Sustainability	• Continuously assess the suitability of the Group's products and customer value propositions against changing environmental and social factors while continuing to fulfil its role of growing the economy in a sustainable and responsible manner. • Enhance understanding on climate-change risk and opportunity management and integrate into overall risk management framework. • Identify, assess and manage sustainability risks to minimise and mitigate negative impact to employees, communities, society and the natural environment and enhancing positive impact.

Additional qualitative statements and risk appetite metrics relevant to the risk types, legal entities and business units are defined to align strategy execution and support the Group's defined risk appetite.

Material matters continued

Risks from our operating context

As disclosed in the *Group's Pillar 3 Risk Management Report,* the risks arising from the operating context are tabled below, along with management responses. Letter and number icons, e.g., **[A1]** and **[B1]**, link the Pillar 3 disclosure to discussions of our *material matters.*

Current and emerging risks

Global and local economic uncertainty – macroeconomic factors globally placing pressure on sovereigns, companies and individuals

- Persistently high global inflation driving monetary policy tightening, with the resultant high interest rates affecting growth and economic activity: *[A1]*
  - Potential introduction of supply-side inflation into economies already under pressure increasing the risk of recession
  - Stress is evident in global banks and consumers
  - Asset values are negatively impacted.
- Potential risk of sovereigns prematurely anticipating inflationary cycles to have peaked, resulting in heightened volatility. *[A2]*
- High sovereign debt levels, along with reduced debt and interest servicing capacity, caused increased possibility of sovereign restructures or downgrades and defaults (Nigeria, Ghana, Kenya). *[A3]*

Management's response

- Protect the Group's liquidity and balance sheet.
- Use scenarios to evaluate the potential outcomes of a variety of factors. Management develops mitigating actions and assesses their effectiveness to guide decision-making.
- Investigate the link between impairments and movements in the interest rates and consider credit solutions, due to customer stress.
- Monitor downside risk presented by the uncertainty.
- Pragmatic approach to risk modelling where data may not reflect economic reality.
- Maintain a strong collections processes and consider strategic capabilities, including heightened collateral monitoring.

Risk types affected: credit, market, capital and liquidity, insurance, strategic and sustainability, model

Strategic, execution and business risks are heightened – these arise from external and internal drivers

- Global uncertainty arising from geopolitical instability and conflict, resulting in increased pressure on emerging markets. *[B1]*
- Actions taken to limit inflation may be ineffective and result in economic hardship, higher unemployment, increased inequality, lower business and consumer confidence. *[B2]*
- Infrastructure failures, including logistical and power supply (including secondary impacts), negatively impact stakeholders and increase the cost of doing business. *[B3]*
- Disruption driven by a constantly changing operating environment and evolving client needs. *[B4]*
- Potential adverse impact of large strategic change projects on strategy risk, change risk and people risk. *[B5]*

Management's response

- Monitor and manage risk strategy and risk appetite to identify and mitigate risks as they arise while supporting customers.
- Maintain focus on operational resilience and business continuity management.
- Continue investing in delivering scalable digital solutions.
- Ensure change projects are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance.

Risk types affected: credit, capital and liquidity, strategic and sustainability, operational and resilience

Global and local liquidity and cash flow stresses – cheap and plentiful liquidity is drying up

- Liquidity is drying up as evidenced in the weak global demand for sovereign issuances. Areas of heightened risk resulting from this include: *[C1]*
  - Heightened concentration risk, especially for sovereigns as downgrades have significant impacts.
  - Counterparty contagion risk from liquidity and credit risk perspective.
  - Scarce hard currency in ARO, which impacts trade and release of dividends, particularly in Zambia and Nigeria.
  - Assumptions for business decisions, hedging and modelling may fail.
- The grey listing by FATF may impact hard currency funding and liquidity in South Africa. *[C2]*

Management's response

- Protect the Group's liquidity and balance sheet.
- Continuously scan and prepare for possible illiquidity.
- Challenge assumptions made for business decisions, hedging and modelling to assess if they are appropriate.
- Assess for and build inflexibility regarding hedging and other liquidity and interest rate risk strategies.
- Assess key counterparties to understand their potential cash flow or liquidity weaknesses.
- Improve client knowledge and develop strategies to support clients with liquidity issues.

Risk types affected: credit, market, capital and liquidity, insurance, strategic and sustainability, model, compliance

Increased compliance risk due to new and emerging regulations and oversight – the rapid pace of change and increasing complexity requires close monitoring

- Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets impact on the current business model. *[D1]*
- Skills development needed to meet new regulatory requirements for ESG risk disclosure, operational resilience assessments and digital assets regulation. *[D2]*
- Potential long-term impact of regulatory changes on business strategy and Group performance. *[D3]*
- Pace of change in crypto-currency and fintech including regulation thereof. *[D4]*
- Tightening margins and pricing restrictions (ARO). *[D5]*
- New regulations relating to fraud and liability. *[D6]*

Management's response

- Maintain a forward-looking approach to evaluate, respond to and monitor change.
- Engage with regulators and other stakeholders on regulatory developments.
- Build a robust control environment of compliance.
- Develop systems with the agility to accommodate change.
- Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes.

Risk types affected: credit, market, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience, compliance

Material matters continued

Letter and number icons, e.g., **[A1]** and **[B1]**, link the Pillar 3 disclosure to discussions of our *material matters.*

Environmental and social risks impact the Group, its customers and operating environment – the developing nature of both these risks and their monitoring yields high uncertainty

- Adverse impact of climate and social change: *[E1]*
  - Will negatively impact communities and sharply heighten the Group's credit and insurance risks.
  - May cause increased migration and thus tension.
- Complexities in managing social trends, and the evolving societies and political environments in which the Group operates. Forthcoming elections may cause social unrest and heighten complexities. *[E2]*
- Increasing expectations from stakeholders to integrate sustainability risk management practices with business activities. *[E3]*
  - Change risk will remain heightened as processes, metrics and monitoring is embedded.
  - Stakeholders needs clarity on the cost and required participation in the "just transition".
  - The Group needs to meet green targets on owned assets.

Management's response

- Reduce the Group's direct environmental footprint in line with its 2030 environmental action plan.
- Embed processes to encourage customers to adopt business strategies and practices that align with the Group's Sustainability Policy.
- Embed existing financing standards.
- Continuously enhance credit and insurance risk data, models and scenario analyses to assess the impact of climate change risk.
- Continue to engage with civil societies, shareholder activists and Development Finance Institutions.

Risk types affected: credit, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience, compliance

Heightened resilience, fraud, financial crime, people and cyber risks expected for the foreseeable future – preparing for systemic wildcard events requires resilience

- Heightened risk of social unrest due to high inflation levels impacting on cost-of-living, weak economic environments, infrastructure failures (including secondary impacts) and poor service delivery. *[F1]*
- Fraud and security risks arising from economic pressure. *[F2]*
- Increasing opportunistic financial crime and cybercrime (including ransomware attacks), and rising criminal activity sophistication. *[F3]*
- Increasing exposure to potential data leaks arising from third and fourth-party suppliers. *[F4]*
- Heightened risk to employee wellness from evolving social and economic environments. *[F5]*
- Evolving risks arising from unethical use of artificial intelligence tools relating to internal and external fraud, and cybercrime. *[F6]*

Management's response

- Maintain focus on operational resilience and proactively identify and mitigate risks.
- Maintain the technology estate's high stability.
- Invest in security platforms including external intelligence, customer awareness campaigns and industry collaboration.
- Embed a strong and resilient risk culture across the Group.
- Enhance due diligence performed on third-party suppliers.
- Monitor and manage the impact on employees.

Risk types affected: strategic and sustainability, operational and resilience, compliance

Materiality determination process

As a financial services provider, we play a pivotal role in the economic activity of individuals, businesses, and nations, helping to create, grow and protect wealth through partnerships in economic development. Many factors affect our ability to create value, including our operating environment, stakeholders, responses to risks and opportunities and our chosen strategy. This report provides the context for what we have deemed our material matters – those which can significantly affect our ability to create or preserve value or lead to value erosion over the short, medium and long term. Our materiality determination process is discussed and illustrated as follows:

1. Identifying a list of potential matters considering:
- *Our external environment*
- *Strategic overview*
- *Stakeholders' legitimate needs and expectations*
- General and industry-specific assessments.

2. Considering the relevance of identified matters by:
- Validating potential matters through local, regional, and global peer review
- Understanding their significance within our industry through scrutiny of thought leadership
- Engaging with various internal functions, including strategy, risk, investor relations, company secretariat, sustainability, and citizenship
- Noting whether matters are key topics of discussion at Board committee meetings
- Understanding the root causes of changes in performance
- Identifying differences in geographical risk and opportunities: Although each of our operating geographies has its own unique set of risks and opportunities, this report sets out the material themes at a Group level that impact all our operations. Our ERMF allows *risk management* and oversight to be appropriately cascaded within the Group.

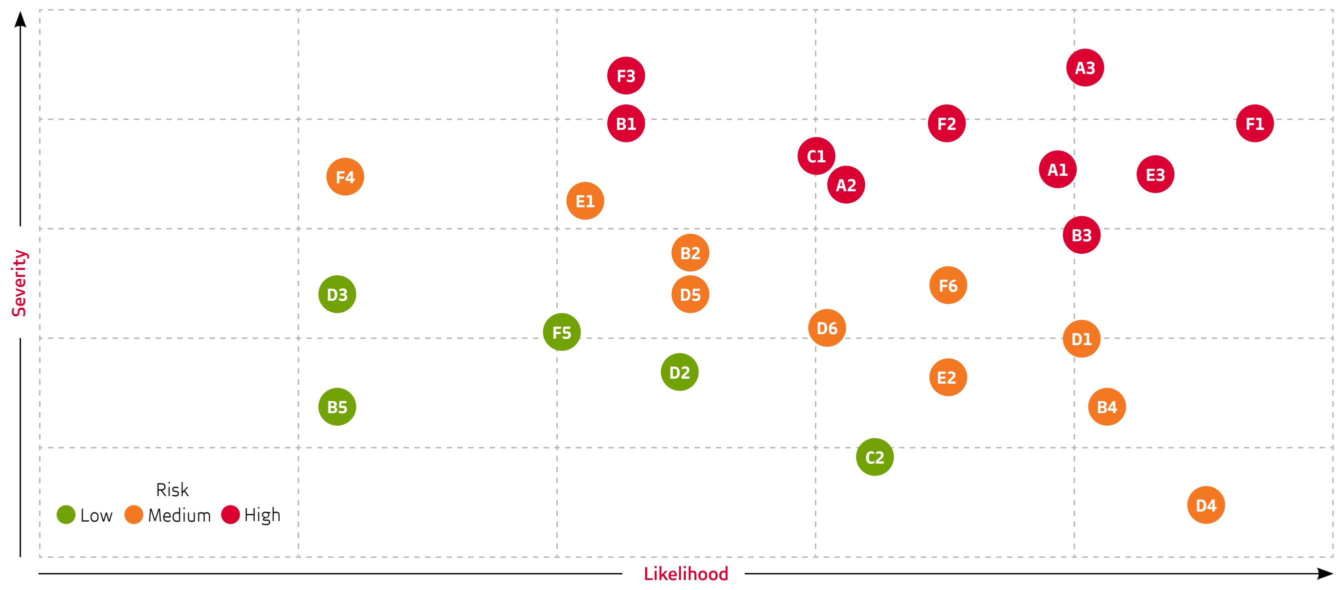
3. Assessing the importance of a matter, taking into consideration:
- Our deep-dive strategy review process, including a detailed business environment assessment, alongside risk and opportunities
- The likelihood of a risk or opportunity coming to fruition
- The arena of the effect, be it internal or external
- Our *risk appetite framework* ensures a balanced approach between future growth and responsible risk management
- Quantitative and qualitative factors that influence the risk appetite of each principal risk
- Our integrated planning process considers:
  - Potential opportunities and prospects
  - Responses to changing consumer needs and dynamics
  - Resource needs and relative availability
  - The trade-offs between possible responses
  - Timing and execution requirements
  - The importance to, and impact on, our strategy
  - Contribution to strengthening Absa's brand equity and reputation.

We understand how the material issues associated with our business model affect our ability to execute our strategy.

4. Prioritising material matters enables us to respond quickly to risks and opportunities specific to Absa and our strategic intent, magnifying our ability to create value. Prioritising the risks and opportunities arising from the operating context is based on our Risk and Issue Classification Matrix (RICM).

As a formula, RICM is expressed as: Likelihood x severity of impact = Risk classification.

When assessing the severity of potential impact, we consider both financial and non-financial impacts. We consider non-financial impact types as they relate to regulators, customers, reputation, our service, and employees.



Material matters continued

Stakeholders: Investor community, Customers, Employees, Regulators, Society, Planet

Unpacking our material matters

Maintaining economic and strategic momentum

The current environment remains volatile. While we saw initial economic recovery as lockdown measures eased, economic momentum has been insufficient to return countries to pre-pandemic levels. Impacts include high inflation, low growth and supply chain disruptions caused by the rising cost of raw materials, commodities, energy, transport and debt distress as financial conditions tighten. Central banks have had to increase policy rates in response, and there is a need for governments, including regulators and central banks, to continue to coordinate policy on a global level to help maintain financial stability, avoid recession and ease pressure on emerging markets *[A1] [B1]*.

In the emerging markets in which Absa operates, there is a need to facilitate trade among African countries and attract foreign investment. Persistent economic volatility stresses asset values *[A1]*, limiting available liquidity *[C1]*.

In four of our presence markets, high sovereign debt levels and reduced debt service capability increase the risk of sovereign default and investor downgrades *[A3]*.

Within South Africa, our primary market, the financial system continues to be resilient under heightened volatility and challenging global and domestic conditions, and we expect this resilience to be sustained.[1] However, rising interest rates to lower business and consumer confidence and may be ineffective *[B2]*. Infrastructure failures, such as logistical and power supply (including secondary impacts such as the effects on water supply), negatively affect our customer base and increase the cost of doing business due to business disruptions. Furthermore, South Africa declared its second state of disaster as the power supply crisis has dramatically impacted growth *[B3]*.

Within this context, not only does Absa need to adapt to the constantly changing operating environment but to evolving client needs and expectations, as they, too, are impacted by economic pressures *[B4]*.

We continuously assess how macroeconomic factors impact large strategic change projects *[B5]*. For example, our ARO markets have stronger growth prospects than South Africa, making them strategically important. Yet, we face heightened complexity in achieving our ambition of being a truly Pan-African bank, as we need to develop strategic responses uniquely tailored to each presence country based on their market volatility.

Our growth ambitions for our insurance business are equally affected as insurance risk increases due to business interruptions, customers' economic circumstances, and climate change impacts.

[1] South African Reserve Bank Financial Stability Review First Edition 2022.

Principal risks affected

Credit, market, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience.

Opportunities

- Facilitating trade among African countries through the African Continental Free Trade Agreement
- Promoting financial inclusion through targeted and relevant financial advice and products
- Innovating products, services and pricing structures
- Expanding the non-traditional acquisition channels across the business
- Delivering holistic and integrated product solutions to customers and enhancing the Absa Rewards programme as rewards are central to driving customer engagement and primacy, we are revamping the programme to deliver this more effectively
- Galvanising acquisition efforts in the youth and student segments
- Increasing our bancassurance presence
- Increasing funding and support for SMEs by Regional Governments by establishing economic zones, development funds and other such initiatives
- Scaling lending products
- Driving efficiencies in cost
- Creating balance in revenue mix.

Impact on our business model

SDG 8 SDG 10 SDG 16

Financial capital

- ▼ Within a constrained environment, we recognise that there is an increased risk of credit defaults, inflationary pressures on our cost base and margin pressures
- ▲ The increase in repo rates by central banks results in higher net interest income
- ▼ Providing additional support to constrained customers affects margins.

Social and relationship capital

- ▲ Increased financial inclusion
- ▲ Customer primacy and brand affinity.

Manufactured capital

- ▼ Physical footprint gives way to more efficient and cost-effective digital channels, possibly impacting on human capital.

Link to our strategy

- A diversified franchise with deliberate, market-leading growth
- The primary partner for our clients
- An active force for good in everything we do

Stakeholders

Climate change and a just transition

Extreme weather events continue to have a global impact, and there is an urgency to move towards a low-carbon economy. Countries continuing to rely on carbon-intensive sectors risk losing competitive advantage through a higher cost of carbon, reduced resilience, failure to keep up with technological innovation and limited leverage in trade agreements.

Financial institutions remain vulnerable to the effects of physical and transition risks because of climate change, which heightens credit and insurance risks *[E1]*. With climate risk pervasive across industries, there is also a war for talent, as climate science and risk management expertise are scarce. Furthermore, ESG stakeholder expectations are evolving, and there is added pressure on banks to support clients' transition to a zero-carbon economy, focusing on banks assessing the industries they finance *[E3]*. Within this context, we recognise that while our direct impact on climate change through our carbon footprint may not be material, our impact on driving a low-carbon economy is significant through our products and services.

Regulators are also monitoring developments in climate change. For example, the Prudential Authority developed a regulatory and supervisory response to climate risks affecting supervised institutions through the Prudential Authority Climate Task Team. The launch of South Africa's first national Green Finance Taxonomy on 1 April 2022 is also encouraging, ensuring that national priorities are reflected while moving in line with international trends.

As a Pan-African bank, climate change on the African continent is a crucial focus area, with the continent facing systemic risks to its economies, infrastructure, water and food supplies, public health, agriculture and livelihoods. For example, South Africa experienced severe flooding during the year, adversely affecting insurance non-life products. Clients in the agriculture sector are also heavily impacted, increasing the risk of food insecurity.

In many African countries, however, there is a lack of infrastructure and investment in renewable energy sources, and many economies remain heavily dependent on fossil fuel industries. Carbon-intensive industries also employ a significant proportion of workers. Shifting away from these industries could deepen the unemployment issues in developing economies. Transition efforts should therefore consider societal repercussions and opt for solutions that holistically address social and environmental challenges *[E1]*. Furthermore, while most African economies' energy-related emissions are minimal, electricity access is a significant challenge. For these countries, the immediate priority is to improve energy access to enable sustainable development and create better livelihoods – with the transition to cleaner energy sources seen as a complementary priority.

The estimated cost of transitioning Africa's power sector to carbon neutrality while providing reasonable access to electricity equates to approximately USD2.6 trillion[2]. On the other hand, country context and energy markets are mostly unfavourable in attracting private-sector investment into renewable energy, going beyond financial and technical challenges to include political contexts, resulting in a slow pace of change

[2] PWC Africa Energy Review 2022.

Principal risks affected

Credit, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience, compliance.

Opportunities

- Positioning Absa as a leader in sustainable finance
- Increasing insight into customers' sustainability needs and roadmaps to net zero can lead to new financing opportunities, including nature-positive financing
- Furthering capital allocation to environmentally responsible businesses
- Access to sustainable green loans
- Contributing to a just transition and responsible consumption
- Driving business continuity for clients.

Impact on our business model

SDG 7 SDG 8 SDG 13

Social and relationship capital

- ▲ Supporting clients' transition paths
- ▲ Appreciate the social context to ensure a just transition, especially in Africa
- ▼ Reputational damage if Absa fails to deliver on sustainability commitments or regulations.

Financial capital

- ▲ Investors are seeking climate and environmentally friendly opportunities, which will diversify our funding base and reduce funding costs
- ▲ Increased and diversified revenue from sustainability-related products and services
- ▼ Increased impairment risk due to physical and transition risks because of climate change.

Human capital

- ▲ Increased ESG skills and talent

Natural capital

- ▲ Low-carbon societies and businesses
- ▲ Food and water security
- ▼ Increased consumption of water and electricity as we embed a Pan-African footprint.

Link to our strategy

- A diversified franchise with deliberate, market-leading growth
- The primary partner for our clients
- An active force for good in everything we do

Stakeholders

Material matters continued

Digital dependencies and vulnerabilities

A rapidly developing competitive landscape, changing consumer demand, financial disintermediation and disruptive technologies have highlighted businesses' dependency on digital infrastructure. For example, the SMME market share is impacted by telecom companies offering unsecured personal lending products and funding solutions. Non-traditional banking service providers are also partaking in the banking space through finance solutions offered to SMMEs.

Governments and businesses in developing countries recognise the need to digitalise rapidly if they wish to compete globally but face constraints in technical and financial resources to build robust ecosystems.

As a digitally powered bank, we engage on the platforms and ecosystems our customers prefer, continuously diversifying and strengthening our modes of service delivery.

Protection against data leakage *[F4]* and other security breaches is essential because banks play a vital role in ensuring functioning payment and settlement systems, thus demanding additional resources be funnelled to this priority area.

Cybercrime and associated attacks (such as ransomware) remain significant threats to financial institutions domestically and abroad, with attacks becoming more aggressive, sophisticated and widespread *[F3]*. We have identified increased use of artificial intelligence tools to perpetrate fraud and cybercrimes *[F6]*. The increase in social engineering attacks, such as vishing place our customers at risk, increasing the need for us to educate our customers on how they safeguard against such attacks.

The large South African financial institutions use major international financial market infrastructure and transact with global counterparts, indirectly exposing the domestic financial system to global cyberattacks. Potential data leaks through reliance on third-party technology suppliers also pose a significant risk for financial institutions, as attacks on these providers are still prevalent *[F4]*.

The ability to attract and retain technology professionals remains challenging, as this remains a rare skill set. The rise in remote workers has also created a unique challenge, necessitating heightened internal awareness to mitigate these employees' becoming targets of cyber attackers. Therefore, we continually work with our people to enhance their understanding of the risks involved and strengthen the systems enabling the Group to track anomalies and proactively investigate potential threats.

Principal risks affected

Strategic and sustainability, operational and resilience, compliance.

Opportunities

- Adding new digital capabilities to the Absa mobile banking app further supports the increased digital adoption rate. This is also complemented with various security features to improve customer authentication, transact behaviour and real-time intervention where suspicious activities are observed.
- Capitalising on alternative channels (agency banking, USSD, mobile and internet banking and merchant acquiring)
- Enhancing primacy through customer service that is safe, reliable and seamless
- Enabling greater access to convenient self-service options for customers
- Deepening understanding of customer needs
- Increasing agility, efficiency and cost optimisation through cloud computing and artificial intelligence
- Growing revenue from digital products and services through the use of mobile technology and fintech partnerships
- Furthering financial and digital inclusion.

Impact on our business model

SDG 5 SDG 8 SDG 10

Financial capital

- ▲ Increased transaction volumes and higher digital inclusivity affect fee income
- ▲ Cost efficiencies over the medium to longer term
- ▼ Investment in technology infrastructure in the short to medium term
- ▼ Financial loss as a result of cybercrime and data loss.

Human capital

- ▼ Scarcity of digital and technology skills resulting in talent wars
- ◀▶ Helping to reskill the existing workforce drives retention and meets fundamental business needs while recognising that being digitally focused could impact job creation
- ▲ Work from home and hybrid work, improving the employee value proposition.

Social and relationship capital

- ▼ Increased reputational risk as a result of data leakage and other security breaches
- ▲ Closing of the digital divide, increasing financial inclusion.

Intellectual capital

- ▼ Increased risk of data loss and dependency
- ▲ Future-fit digital ecosystems.

Link to our strategy

- A diversified franchise with deliberate, market-leading growth
- The primary partner for our clients
- A digitally powered business
- A winning, talented and diverse team

Stakeholders

Stakeholders: Investor community, Customers, Employees, Regulators, Society, Planet

Rising regulation

Banks face an ever-changing regulatory environment, with compliance failures that can lead to litigation, penalties and reputational damage. With the increased advancement of banking systems, for example, in crypto-currency and fintech, regulatory bodies aim to ensure compliance that secures economic stability to protect consumers and maintain institutional soundness *[D1] [D4]*.

The Prudential Authority, being a significant player in the regulation of the banking sector in South Africa, continues to monitor local and international developments from a standard-setting and trends and policy perspective to ensure that the regulatory framework caters for all risk types and that the supervisory framework is adequately proportional, forward-looking, outcomes-focused and integrated[1].

The FATF issued recommendations to South Africa, proposing further strengthening of regulations, oversight by regulators and capabilities within banks to combat money laundering, terrorist financing and other similar threats to the financial system *[C2]*.

The potential for penalties and regulatory sanctions for non-compliance with legislation and conduct in our markets is increasing in number and severity. While up-to-date regulation is critical to promote responsible banking and protect customers and banks alike, the pace of change in these regulations requires a coordinated, comprehensive and forward-looking approach. We, therefore, continue to bolster our regulatory capabilities (including specific skills development *[D2]*) to anticipate, influence and respond to our changing regulatory landscape while assessing the likely impact of regulatory shifts on our business model and strategic priorities *[D3]*.

Principal risks affected

Credit, market, capital and liquidity, insurance, strategic and sustainability, model, operational and resilience, compliance.

Opportunities

- Consistent policies in certain industry sectors, e.g., mining. to boost exports
- A catalyst for progressive change through advocacy
- Technology-enabled models to improve ease of compliance
- Pan-African countries increase their global competitiveness and financial stability
- Improved public confidence in financial institutions
- Increase in attracting foreign investment
- Accessing international and local capital.

Impact on our business model

SDG 8 SDG 10 SDG 16

Social and relationship capital

- ▲ Sound, positive and healthy relationships with regulators
- ◀▶ Compliance burden may affect customer journeys and experiences, yet customers benefit from the protection provided by regulation
- ▼ Reputational damage as a result of non-compliance.

Financial capital

- ▼ Increased costs to comply
- ▼ Penalties and fines due to non-compliance
- ▼ Compressed foreign exchange margins on the back of regulatory interventions.

Link to our strategy

- A diversified franchise with deliberate, market-leading growth
- The primary partner for our clients
- An active force for good in everything we do

Stakeholders

[1] Prudential Authority Regulatory Strategy 2021-2024.

Material matters continued

Evolving employee value proposition

COVID-19 changed the working landscape, with employees questioning traditional structures of work and employers seeking to identify strategies to keep employees engaged. The pandemic also renewed the emphasis on employee health and wellbeing *[F5]*. As a result, companies are under scrutiny regarding their response to mental health challenges. Fostering open dialogue has never been more critical for companies to demonstrate their commitment.

Employees are also increasingly looking to work in inclusive and diverse environments, and regulators are finding ways to entrench diversity and inclusion in the workplace. For example, the Prudential Authority in South Africa finalised its transformation approach and developed internal supervisory guidance on how transformation will be monitored and regulated in financial institutions.

Global insecurity resulting from economic hardships, geopolitical events and political instability has resulted in many moving away from their home countries or regions in search of better opportunities, resulting in a brain drain from some countries and an increase in skilled migrants into others. The war for talent is ongoing, as many organisations prioritise attracting and retaining the best skills. Furthermore, due to rapid skills obsolescence, there is a need to leverage digital transformation to build the talent and skills required for the future of business.

Absa understands that its people's wellbeing is vital to building a winning, talented and diverse team, as it increases employee productivity and engagement. We continue to support hybrid working as the new normal, and this model will remain part of our blueprint. To prepare our organisation for this longer-term transition, we continue to upskill employees and leaders with the knowledge and tools to enhance productivity, engagement, and inclusiveness in a virtual world. Furthermore, the Group is committed to progressing its transformation and inclusivity agenda, believing that diversity presents a competitive advantage that will continue to shape our organisational agility and resilience in years to come.

By establishing ourselves as an employer of choice, we gain access to the top skills in the marketplace. Likewise, our internal initiatives enable our employees to continually upskill and reskill based on the evolving needs of our business. This, too, becomes a drawcard for talent.

Principal risks affected

Strategic and sustainability, operational and resilience.

Opportunities

- Engaged and talented workforce
- Employer of choice for current and prospective employees
- Home of Africa's leading talent.

Impact on our business model

SDG 5 SDG 8 SDG 10

Financial capital

▼ Fair and equitable remuneration appropriately addressing unfair remuneration differentials as well as attracting and retaining high performers
▼ Investment in skills development and training
▲ Lower hiring cost as top talent remains with Absa.

Human capital

▲ Increase in employee engagement index
▲ Win the war for scarce skills
▲ Improved employee value proposition.

Intellectual capital

▲ Increased know-how and institutional knowledge
▲ Employees equipped for work in the digital age
▲ Profile changes to reflect a more diverse team in terms of age, race and gender.

Link to our strategy

The primary partner for our clients

A digitally powered business

A winning, talented and diverse team

An active force for good in everything we do

Stakeholders

Stakeholders: Investor community, Customers, Employees, Regulators, Society, Planet

Social cohesion erosion

Still nursing the physical and emotional effects of COVID-19, many are dealing with mental health deterioration. As a result, governments and businesses have increased wellness campaigns and initiatives to support people and communities dealing with stressors in their social and economic environments *[F5]*.

Unemployment, weakening wage growth, and heightened poverty impact our markets and increase instability, business disruptions and social unrest *[F1], [B2]*. We, therefore, continue to interact with governments across our regions directly and through various associations, seeking to advocate for enabling policy environments that promote national and regional objectives and beneficial socioeconomic outcomes.

Our products and services support financial wellbeing and extend financial inclusion to lower-income groups *[B4]*. In this way, we contribute to a more inclusive economy and societal financial wellness, developing affordable, needs-based financial products delivered through innovative and convenient channels supported by consumer education and financial literacy training.

Principal risks affected

Strategic and sustainability, operational and resilience.

Opportunities

- Financial inclusion
- Equal opportunity and poverty eradication
- Customer primacy and extended customer life journeys
- Increased and diversified revenue streams.

Impact on our business model

SDG 8 SDG 10 SDG 16

Financial capital

▼ Increased loss from disruption and damage
▼ Investment in communities.

Social and relationship capital

▲ Reputational gains supporting communities
▲ Customer primacy.

Human capital

◀▶ Preservation of available job opportunities.

Link to our strategy

The primary partner for our clients

An active force for good in everything we do

Stakeholders

Together . . . one story at a time – delivering value

Group Chief Executive Officer's message

"It is an honour and a privilege to be leading an organisation I have been part of for over 25 years."

Arrie Rautenbach
Group Chief Executive Officer

Context

At the onset, I would like to thank the Board for its confidence in appointing me Group Chief Executive Officer. It is an honour and a privilege to be leading an organisation I have been part of for over 25 years.

The past year brought mixed fortunes to many of us. While the end of the pandemic injected optimism and an encouraging outlook, the subsequent geopolitical tensions marred the global economic environment, spiking inflation globally, and resulting in rapid monetary policy tightening and a widespread cost-of-living crisis.

As expected, economic growth projections have been revised downwards. In addition, we have seen rising risk aversion within global financial markets. This has had a direct impact on financial flows into emerging markets and, in our instance, the African continent, which is our operating environment as a Pan-African business.

At Absa, we have tried to insulate our operations against the challenging business environment by making certain key decisions. We refreshed our 2018 strategy, with consequent tweaks being effected, where necessary, to anticipate difficulties in our chosen battlegrounds.

Reorganising our business and operating model

The major effort of 2022 went into reconfiguring our commercial businesses and effecting crucial operating model changes. Resultantly, the Group changed from two business units to five. In a structure that is now deliberately designed to help Absa win in our key market battlegrounds, Group ExCo now boasts Everyday Banking, CIB Africa, Product Solutions Cluster, Relationship Banking, and ARO Retail and Business Bank.

We executed these changes to boost our organisation's commercial capacity to serve our customers better. Through this, we have sought to fortify a single customer intent and commitment across our organisation.

These changes were, by design, to drive end-to-end ownership in the commercial businesses with well thought-out functional support. Distributed leadership underpinned the shift, where business and function unit leaders have the autonomy to make key decisions within their portfolios.

We also saw this as an opportunity to reaffirm our commitment to transformation, diversity and inclusion across the organisation through decisive action. To this end, we reconfigured our Group ExCo and expanded our senior leadership team to create a bigger talent pipeline for succession planning. During this process, we were resolute about ensuring that the incoming leaders were reflective of the markets where we operate.

The appointment of permanent Group ExCo members to lead the People Function, Information and Technology Office as well as Brand, Marketing and Corporate Affairs portfolio, means that our Group ExCo is now fully constituted and transformed, thus placing us on a solid footing to achieve both commercial excellence and demographic requirements.

At this point, let me once again express my profound gratitude to Thabo Mashaba and Wilhelm Krige for holding the fort in the People function and the Information and Technology function, respectively, during the intervening period.

Financial performance

I am immensely proud to see the strides that we have made in embracing and aligning our organisation to South Africa's transformation imperatives, while also embedding strong Pan-Africanism in our ethos.

As we revised structures and created leadership certainty, we continued to maintain positive financial momentum, as evident in our strong 2022 results. Headline earnings of R21 billion grew 13% and, pleasingly, were supported by strong pre-provision profit growth of 25% as our cost-to-income (CTI) ratio decreased to 51.5%.

Our credit loss ratio (CLR) of 96bps is within our through-the-cycle range, albeit at the upper end of the range as consumer strain in the South African retail market started to materialise. While not reflected in the CLR, the sovereign debt crisis in Ghana had a material impact on our impairment charge.

Key shareholder value metrics continued to improve as net-asset value per share increased by 5%, return on equity (RoE) improved to 16.6%, which is well above the cost of equity, and our dividend pay-out ratio returned to pre-COVID-19 levels. Particularly pleasing is that both our RoE and CTI are already approaching our medium-term target of 17% and a CTI within the low 50s.

I am especially proud that earnings growth and improved returns have been delivered while we have maintained our balance sheet resilience. Our capital and liquidity measures remained strong and above pre-COVID-19 levels, with our CET1 ratio of 12.8%, tier 1 ratio of 14.4%, liquidity coverage ratio of 124.6% and net stable funding ratio of 113.4%, while we continue to be prudent in our balance sheet coverage, remaining well above 2019 levels.

Enhancing our employee value proposition

Our strategic efforts have not been limited to leadership changes. As previously stated, employees are an irreplaceable bridge between our customers and the organisation. We have, therefore, made major changes in our employee value proposition, and have targeted systemic changes.

Relevant teams have worked diligently to design our proposed new B-BBEE ownership transaction with an aim to ensure that eligible employees throughout our Pan-African business become part owners of this organisation.

Our employee engagement initiatives stood us in good stead during the pandemic when our colleagues went above and beyond in helping our customers in a decidedly difficult operating environment.

Our recent employee experience survey, which is the basis for our colleague-led efforts, has given us key colleague insights on workplace culture, the quality of the work environment and levels of confidence in strategy and direction.

Over 30 000 of our colleagues, equating to 83%, completed the survey, which is an unprecedented response rate – a sure indicator of a strong affinity with the organisation. Our employee experience index, at 68 points, improved markedly from 64.7% in 2021 and exceeded our target, demonstrating a tangible positive shift. Our advocacy net promoter score, which measures the extent to which employees would recommend Absa as an employer, almost doubled. It is also worth mentioning that the operational changes alluded to earlier reaffirmed our internal talent while preventing job losses.

Environment, social and governance focus

More broadly, we are also making a measurable and material change in the communities in which we operate. We have identified three ESG focus areas for investment: financial inclusion, diversity and inclusion, and climate. We selected these areas based on considerations including the importance of the different ESG topics to our stakeholders, the potential impact on our business and our strengths and assets. The appointment of Punki Modise as Group Chief Strategy and Sustainability Officer will strengthen our ESG efforts across the organisation.

We have registered milestone developments in several areas and built on our position as the leading financier of renewable energy in South Africa. We issued our first green bond and published a Sustainable Financing Issuance Framework, which outlines our policies and processes in support of sustainable financing.

We launched a USD400 million sustainability-linked term loan facility, and to increase access to affordable housing in South Africa, we partnered with the International Finance Corporation to support the expansion of housing finance targeting lower- to middle-income households in the country with a loan of up to R2 billion.

We built on the support we provided to colleagues, customers and communities during the COVID-19 pandemic in 2022, when we assisted disaster-struck communities, including those in KwaZulu-Natal, where floods claimed lives and livelihoods. We rallied resources to provide assistance in the form of drinking water and care packages to communities and Absa colleagues.

We also waived excess fees on insurance claims, and we allocated funds to assist with longer-term needs, such as rebuilding affected areas. Being meaningful to the communities where we operate is one of our five key themes and entrenching this into our DNA means more future decisions are in the offing.

Redefining our purpose

Absa has been on an unrelenting strategic journey towards market superiority – we have completed the first phase, which was focused on the bricks and mortar of our business. The current phase is about organisational health, which is underpinned by an employee-led purpose.

To this end, we have undertaken an extensive collective effort across the colleague franchise to revisit our purpose as a corporate citizen in Africa.

The process has resulted in our new *purpose* statement – Empowering Africa's tomorrow, together … one story at a time.

This purpose expresses our collective commitment to our stakeholders in contributing to Africa's growth, now and in the future. What this means to our everyday roles and responsibilities will be unpacked internally and externally this year, guiding the continuous evolution of our brand to one that inspires our colleagues and customers and evokes a sense of pride.

Throughout the year, we continued to engage external stakeholders who are of strategic importance to our business, here on the continent and abroad. These engagements are critical for strengthening existing bonds and creating new ones. Given the rising social pressures that I referred to earlier, it is becoming more critical for businesses, governments and civil society to come together in order to build inclusive and sustainable solutions to the challenges that we collectively face. There are two platforms that particularly stand out in our external engagements; these include our participation at the US-Africa Leaders' Summit and the World Economic Forum (WEF) Annual Meeting in Davos.

Conclusion

In 2023, we look forward to driving commercial outperformance and customer primacy and building our social relevance as an organisation. We will continue to build on the transformation progress we have made in our broader Pan-African context, including advancing our plans for a new B-BBEE scheme and continuing to build our talent pipeline.

The work undertaken since 2018 to deliver against our strategy has ensured that we have a solid foundation in place to accelerate strategy execution and performance, notwithstanding the more challenging operating environment, and to build our social relevance as an organisation. With a strong and experienced leadership team and an engaged colleague base, I am confident that we are well-placed to become a truly Pan-African bank that serves our customers and drives sustainable growth in Africa.

At the time of writing this, there is heightened uncertainty in global banking markets with the collapse of Silicon Valley Bank and Signature Bank in the US as well as UBS's government backed takeover of Credit Suisse in Switzerland. Central Bank responses have been swift and cohesive and whilst we continue to monitor the situation closely, we currently don't envisage systemic risk to the South African banking sector other than capital markets general aversion to emerging markets. I am confident in my leadership team's ability to respond accordingly but it is also important to note that the South African Banking sector remains liquid and well capitalised with levels well in excess of the regulatory minimums and significantly higher than the 2008 global financial crisis.

I would like to thank both Jason Quinn and Punki Modise for their stewardship of the organisation during their time as the interim GCEO and interim GFD and their support during my transition into the CEO position.

I thank the Board, my ExCo, all of our colleagues, our customers, our shareholders and other key stakeholders for their ongoing support and look forward to further engagements throughout the year.

Group Financial Director's message

"We are building a strong and consistent track record of delivery against our strategy, and we are well positioned for growth, notwithstanding the more challenging operating environment."

Jason Quinn
Group Financial Director

Strategic performance

Revenue growth	Revenue	Cost-to-income
15% (2021: 6%)	R98.9bn (2021: R85.9bn)	51.5% (2021: 55.2%)

Value for shareholders

Headline earnings	Return on equity	Total dividend per ordinary share
R21bn (2021: R18.6bn)	16.6% (2021: 15.8%)	1 300 cents (2021: 785 cents)

Strong deposits and loans

Gross loans and advances	Deposits
R1 258bn (2021: R1 134bn)	R1 242bn (2021: R1 174bn)

Normalising risk profile

Stage 3 loans ratio	Credit loss ratio
5.29% (2021: 5.43%)	0.96% (2021: 0.77%)

Strong capital and liquidity

Common equity tier 1 ratio[1]	Liquidity coverage ratio
12.8% (2021: 12.8%)	124.6% (2021: 116.8%)

Overview of results

Headline earnings increased 13% to R21 016 million, and diluted headline earnings per share grew 13% to 2 482 cents. Importantly, our earnings growth was due to 25% higher pre-provision profit that in turn was driven by strong revenue growth of 15% to R98 874 million. These are all comfortably above pre-COVID-19 levels, with earnings, pre-provision profit, and revenue up 29%, 43%, and 24% from 2019, respectively. Net interest income rose 13% to R60 440 million, reflecting further margin expansion and 11% growth in average interest-bearing assets. Our net interest margin on average interest-bearing assets widened to 4.56% from 4.46%, reflecting higher policy rates. Non-interest income increased 18% to R38 434 million, or 39% of overall revenue. With operating expenses growing 7% to R50 907 million, our cost-to-income ratio improved to 51.5% from 55.2%. Our credit impairment charge grew 61% to R13 703m, given coverage raised against Ghana sovereign-related exposures and increased delinquencies in the South African retail lending portfolios. Our return on equity (RoE) improved to 16.6% from 15.8%. Excluding the Ghana sovereign-debt-related impairment, our headline earnings would have increased by 23%, and our RoE would have been 18%. Given strong capital levels, we declared a 66% higher ordinary dividend of 1 300 cents per share, based on a 52% pay-out ratio. Our net asset value per share rose 5% to 15 555 cents.

At a divisional level, Product Solutions Cluster headline earnings increased 26% to R3 531 million, Everyday Banking was flat at R4 108 million, Relationship Banking grew 8% to R4 024 million, ARO RBB's rose 908% to R1 068 million, and CIB increased 9% to R8 977 million. Head Office, Treasury, and other operations' headline earnings loss increased 72% to R692 million due to the Ghana sovereign-debt impairments. On a geographic basis, headline earnings in South Africa increased 16% to R18 297 million, while African regions declined 4% to R2 719 million.

[1] IFRS CET 1.

Well-diversified growth in loans and advances

Total gross loans and advances grew 11% to R1 258 billion, given 9% growth in gross loans and advances to customers to R1 155 billion, while gross loans and advances to banks rose 38% to R104 billion. Loan growth was well diversified across our divisions. Product Solutions Cluster gross loans and advances to customers rose 9% to R414 billion, as mortgages grew 9% to R297 billion and instalment credit agreements increased 9% to R87 billion. Everyday Banking gross loans and advances to customers grew 12% to R82 billion, with personal and term loans and credit cards both up 12% to R28 billion and R50 billion, respectively. Relationship Banking gross loans and advances to customers grew 7% to R140 billion, driven by 10% growth in personal and term loans to R44 billion and 7% higher instalment credit agreements to R35 billion, while mortgages decreased 2% to R27 billion. ARO RBB gross loans and advances to customers grew 13% to R78 billion, or 16% in constant currency (CCY), with solid production in personal loans, mortgages and commercial lending. CIB gross loans and advances to customers increased 8% to R438 billion, with CIB SA up 7% to R366 billion and CIB ARO growing 15% to R72 billion, or 18% in CCY.

Slower deposit growth

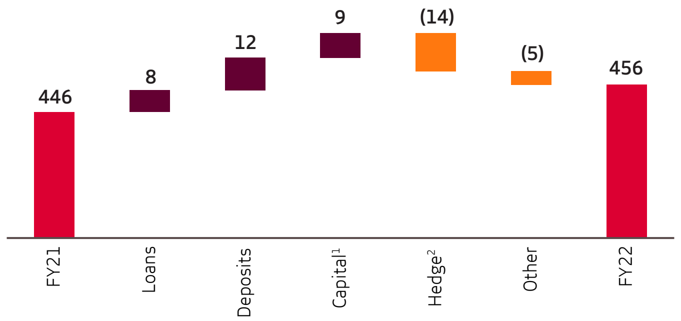
After strong growth over the past two years, our deposit growth slowed somewhat. Total deposits rose 6% to R1 242 billion, with deposits due to customers up 3%, or 4% in CCY, to R1 113 billion. Total deposits due to banks rose 31% to R129 billion. Within the divisions, Everyday Banking deposits grew 4% to R290 billion, with fixed deposits up 9% and savings and transmission deposits 4% higher, offset by 1% lower cheque account deposits. Relationship Banking deposits increased by 7% to R201 billion, with solid growth across cheque account deposits (6%), fixed deposits (7%) and savings and transmission deposits (8%). ARO RBB deposits rose 9%, or 13% in CCY, to R110 billion, driven by transactional deposits (11% in CCY) and investment products (23% in CCY). CIB total deposits rose 4% to R500 billion, with deposits due to customers decreasing marginally to R407 billion, while bank deposits grew 26%. CIB SA deposits due to customers declined 1% to R319 billion, as 11% lower fixed deposits outweighed 3% growth in cheque account deposits. CIB ARO deposits were flat at R89 billion, or up 3% in CCY.

Capital levels remain strong

We remain well capitalised to fund our growth opportunities. Our CET1 ratio was flat at 12.8%, in line with the prior period. This exceeds the top end of our Board target range of 11.0% to 12.5%, well above pre-COVID levels and comfortably exceeding regulatory requirements. Our total capital adequacy ratio decreased to 16.6% from 17.0%, again, well above our Board target. Group risk-weighted assets increased by 8% to R1 008 billion, with the largest component, credit risk, also up 8%. These are slightly less than the growth in Group gross loans and total assets of 11% and 9%, respectively. We remain strongly capital generative, with profits adding 2% to our CET1 ratio over the year, partially offset by dividends paid, amounting to 0.9%.

Margin benefited from pricing and higher rates

Change in net interest margin (basis points)



[1] Average interest-bearing assets.
[2] Interest-rate risk management.

Net interest income increased 13%, the same in CCY, to R60 440 million, while average interest-bearing assets grew 11%. Our net interest margin recovered to pre-COVID-19 levels of 4.5%, mainly on the back of higher policy rates across our business.

Unpacking the moving parts, our lending margin continued to improve, with higher rates and reduced suspended interest in Everyday Banking.

Deposit margins widened, largely due to the impact of higher policy rates in Corporate and Everyday Banking, which offset faster growth in wholesale funding that was negative for composition.

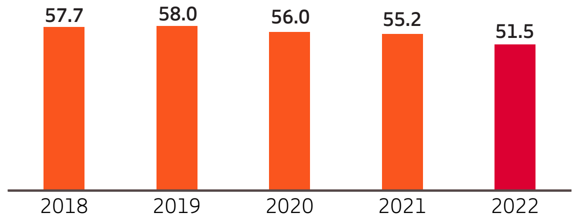
Higher average policy rates and growth in South African endowment balances added 8bps to the overall margin. Prime increased by 325bps during the period, with average rates 15bps higher. The endowment uplift was partially offset by a smaller release from our structural hedge of R1.6 billion from R3.2 billion in the prior year. The cash flow hedging reserve decreased to a R3 billion debit balance from a credit of R0.8 billion at 31 December 2021. Several factors impacted 'other', including investing excess liquidity in ARO (a drag), while the reset gains of South Africa's rising prime rate enhanced our margin.

Insurance SA drove non-interest income rebound

Growing non-interest income remains a key priority, with improving underlying trends. Non-interest income increased 18%, the same in CCY, to R38 434 million, accounting for 39% of total revenue. There were three drivers of this growth: firstly, the largest component, net fee and commission income, grew 7%, with transactional income up 9% and merchant income increasing 10%. It was pleasing to see Everyday Banking's growth improve to 9%, while CIB remained robust at 11%, or 13% in CCY. Secondly, SA Insurance increased by R1.8 billion from 2021, given significantly lower COVID-19 claims and reduced reserves. Excluding this rebound, Group non-interest income still grew by 13%. Thirdly, net trading excluding hedge ineffectiveness grew 9%, higher than the 3% increase in Global Markets income, coming off a high base. I should note that non-interest income included a R759 million profit on disposal of the Absa investment management business, a non-headline item.

Operating expenses well controlled as we continue to invest

Cost-to-income ratio (%)



Operating expenses grew 7% and the same in CCY to R50 907 million, improving the Group's cost-to-income ratio to 51.5% from 55.2%. Staff costs rose 7% to R27 873 million, accounting for 55% of total operating expenses. Within this, salaries and other staff costs increased by 4%, in part due to lower restructuring costs. Bonuses grew by 20%, linked to the Group's performance, while deferred cash and share-based payments increased by 25%.

Non-staff costs grew 8%, or 7% in CCY, to R23 034 million. We continue to invest in IT. Total IT spend, including staff, amortisation and depreciation, increased 8% to R12 638 million, or 25% of Group expenses. Amortisation of intangible assets increased by 15%, given the investment in new digital, data and automation capabilities. Professional fees rose 22%, mainly from higher investment in strategic initiatives. Marketing costs grew 34%, due to increased campaign spend, sponsorship and corporate social investment spending, all off a low base.

Costs were also reduced in several areas. Depreciation fell 10%, primarily due to continued optimisation of property and physical IT infrastructure. Property costs declined 1%, reflecting ongoing property optimisation, while cash transportation costs fell 1%, given the migration to digital banking and benefits from increased cash recycling.

Credit impairments increased off a relatively low base

Credit impairments grew 61%, or 82% in CCY, to R13 703 million from R8 499 million due to substantially higher credit charges in the South African retail lending portfolios and coverage raised against Ghana sovereign investment securities and related exposures in the banking book. The Ghana sovereign-debt-related impairment totalled R2.7 billion, with R2.1 billion on sovereign investment securities

Group Financial Director's message continued

(predominantly local currency sovereign bonds). Our credit loss ratio calculation excludes impairments on investment securities and cash balances and rose to 0.96% from 0.77%. Excluding Ghana, the charge was 0.91%, slightly above the mid-point of our through-the-cycle target range of 75 to 100bps. In 2021, model enhancements and a change in the definition of default to align with peers reduced retail loan credit impairments in South Africa by R1 082 million. Total loan coverage decreased slightly to 3.93% from 4.08% at 31 December 2021, although it remains well above the pre-COVID level of 3.27% at 31 December 2019. Stage 3 loans and advances improved to 5.29% of gross loans and advances from 5.43%, while Stage 3 loan coverage increased to 46.13% from 44.62%.

Summarised normalised income statement

	2022 R'm	% Change	2021 R'm	% Change	2020 R'm
Net interest income	60 440	13	53 297	9	48 790
Non-interest income	38 434	18	32 576	(0)	32 592
Total revenue	98 874	15	85 873	6	81 382
Operating expenses	(50 907)	7	(47 412)	4	(45 576)
Pre-provision profit	47 967	25	38 461	7	35 806
Credit losses	(13 703)	61	(8 499)	(59)	(20 569)
Other impairments and indirect tax	(2 541)	13	(2 247)	(0)	(2 238)
Associates and joint ventures	137	4	132	<(100)	(36)
Profit before taxation	31 860	14	27 847	>100	12 963
Taxation	(8 379)	10	(7 604)	>100	(3 606)
Profit after taxation	23 481	16	20 243	>100	9 357
Attributable earnings	21 307	15	18 565	>100	7 912
Non-controlling interest	2 174	30	1 678	(16)	1 445
Headline earnings	21 016	13	18 591	>100	7 965

Summarised balance sheet

	2022 R'm	% Change	2021 R'm	% Change	2020 R'm
Total assets	1 790 903	9	1 635 994	7	1 525 964
Of which net loans and advances[1]	1 213 399	11	1 092 257	8	1 014 517
Total equity	150 010	5	143 506	13	127 546
Total liabilities[1]	1 640 893	10	1 492 488	7	1 398 418
Of which deposits due	1 241 919	6	1 173 766	12	1 048 000
Total equity and liabilities	1 790 903	9	1 635 994	7	1 525 964

[1] These numbers were restated, refer to "Report Overview" in the *Financial Results* booklet 2022.

Results webcast

Conclusion

Over the past two years, we have over-delivered on our growth, returns, efficiency and capital targets, notwithstanding a challenging operating environment.

Based on our macro expectations and excluding major unforeseen political, macroeconomic or regulatory developments, our guidance for 2023 is as follows:

- We expect high single-digit revenue growth, driven by net interest income, given high single-digit growth in customer loans and higher policy rates. Our net interest margin benefits from rising rates, with a R550 million uplift on an annualised basis for a 100bps increase in policy rates, post the structural hedge.
- Given higher rates and inflationary pressures, our credit loss ratio will likely be at the top end of our through-the-cycle target range of 75 to 100bps.
- We expect mid to high single-digit operating expense growth, resulting in a similar cost-to-income ratio as in 2022. We expect mid to high single-digit growth in pre-provision profit.
- Consequently, we expect to generate a RoE of around 17%.
- Lastly, our Group CET1 capital ratio is expected to remain at the top end of the Board target range of 11.0% to 12.5%. We expect to maintain a dividend pay-out ratio of at least 52%.

Given material base effects in 2022, we see differing trends between the first and second half of 2023. In the first half, we expect stronger revenue and pre-provision profit growth, although our credit loss ratio will likely exceed our through-the-cycle range in this half and dampen earnings growth off a relatively high base. Conversely, despite slower second-half revenue growth, credit impairments are expected to decline substantially to support stronger earnings growth in the second half.

In terms of medium-term guidance, we still aim to achieve a cost-to-income ratio in the low 50s and a RoE above 17% on a sustainable basis, which is heavily dependent on the macro backdrop globally and in our presence countries.

A diversified franchise with deliberate market-leading growth

Return on Equity (RoE) of **16.6%**

CIB revenue contribution of **27.9%**

EB revenue contribution of **27.6%**

RB revenue contribution of **15.1%**

PSC revenue contribution of **15%**

ARO RBB revenue contribution of **14.4%**

	EB		RB		PSC		ARO RBB		CIB	
	2022 R'm	2021 R'm	**2022 R'm**	2021 R'm	**2022 R'm**	2021 R'm	**2022 R'm**	2021 R'm	**2022 R'm**	2021 R'm
Net interest income	**14 373**	12 939	**9 337**	8 765	**9 154**	8 248	**9 713**	8 372	**16 458**	14 571
Non-interest income	**12 114**	11 136	**5 105**	4 948	**5 202**	3 248	**4 141**	3 268	**10 325**	9 295
Total income	**26 487**	24 075	**14 442**	13 713	**14 356**	11 496	**13 854**	11 640	**26 783**	23 866
Headline earnings	**4 108**	4 126	**4 024**	3 719	**3 531**	2 793	**1 068**	106	**8 977**	8 250
Loans and advances[2]	**76 523**	73 268	**136 091**	126 274	**402 364**	369 589	**72 476**	64 035	**513 942**	452 113
Deposits[2]	**289 606**	278 334	**201 191**	188 394	**1 863**	1 915	**110 714**	101 467	**499 609**	482 385
	%	%	**%**	%	**%**	%	**%**	%	**%**	%
CLR	**6.45**	4.99	**0.45**	0.67	**0.65**	0.35	**1.64**	2.03	**0.27**	0.17
CTI	**52.5**	55.3	**54.9**	54.4	**44.8**	51.3	**70.6**	73	**46.7**	47
RoRC[1]	**32**	34.5	**27.2**	23.9	**16.2**	14.4	**10.5**	1.1	**21.4**	20.6

[1] Return on regulatory capital.

[2] These numbers were restated, refer to "Report Overview" in the *Financial Results* booklet 2022.

Accolades evidencing our focus on being a diversified franchise with market-leading growth

- Ghana Insurance Awards – Absa Bank received the Bancassurance Leader Award
- PMR Africa Awards 2022 – Absa's award-winning Islamic banking services received three Diamond Arrow Awards
- Global Finance Innovators Awards 2022 – CIB was named the Most Innovative Bank in Africa for the second consecutive year
- CIB was awarded Local Markets Loan House of the Year and Sub-Sahara Africa Investment Bank of the Year
- Euromoney's Awards for Excellence 2022 – Named Africa's Best Bank for Transaction Services

Material matters

- Maintaining economic and strategic momentum
- Climate change and a just transition
- Digital dependencies and vulnerabilities
- Rising regulation

Capitals affected

Contributing to SDGs

SDG 8

A diversified franchise with deliberate market leading growth continued

Absa delivered strong financial performance, with record normalised headline earnings of R21 billion, increasing 13% on the back of income-led solid pre-provision profit growth of 25%, partially offset by 61% higher impairments. Our return on equity increased materially to 16.6%, comfortably above our cost of equity, with most business units improving returns year-on-year underpinned by progress against key objectives, including:

- Tailoring reach and relevance to clients
- Targeting growth in attractive client segments
- Renewing and expanding product suites.

The transaction with *Sanlam* to combine our investment management businesses became effective on 1 December 2022. For Absa, the transaction delivers improved scale, capabilities, customer propositions, and transformation, all essential to achieving growth in the investment management sector.

Everyday Banking (EB)

EB has made significant strides in expanding its physical and digital reach through several award-winning innovations. Absa's chatbot, Abby, allows over two million customers to self-service in an intuitive and user-friendly manner. Absa is also innovating to expand its physical presence in a low-cost manner by leveraging *Branch-on-the-Move* to support underserved low-income communities. We have pivoted our network significantly, automating cash while ramping up sales and service to enhance the depth and empathy of our high-touch customer interactions.

The entry-level and inclusive banking segment has been identified by the business as a priority for future sustainable growth. Against this backdrop, we have set the foundation for accelerated entry-level and inclusive banking segment acquisition through on-the-ground community-based marketing efforts and customer-centric pricing enhancements and improvements to our rewards programme. Furthermore, the business has enhanced its customer engagement platforms to drive more data-driven personalised client interactions, resulting in deeper customer conversations. These efforts have stabilised customer primacy and improved the average product holding across the segments.

EB launched a new package-based product that integrates the best features of credit card and transactional products underpinned by market-leading pricing. Furthermore, we enhanced our savings and personal lending suite with personalised pricing for main-banked customers, which incorporates the depth of the relationship and the channel on which the customer chooses to engage the bank. We have also enhanced our digital offering, expanding services on our mobile banking app and heightening customer engagement through Absa Advantage.

Despite the effects of strategic pricing concessions and the migration of customer activity to digital channels, EB achieved a 10% growth rate in revenue and contributed 27.6% to the Group's revenue in 2022. Furthermore, the quality of earnings improved relative to the previous year, underpinned by 17% growth in pre-provision profit. This success was largely due to investments in marketing and enhancements to customer propositions to drive customer growth, primacy, and activity, particularly in the core-middle market and retail affluent segments. In addition, the optimisation of the distribution network also contributed to headline earnings performance by right sizing the physical network and expanding digital capabilities.

Relationship Banking (RB)

RB has reorganised our operating model around client segments to increase the alignment of value propositions to specific client requirements.

Strong sector expertise enabled the commercial segment to provide bespoke solutions, enabling clients to grow their businesses. Building long-term relationships with our clients helped bankers to understand client requirements and, in so doing, become trusted advisors. Speed limits were launched in the Commercial business, enabling clients to adjust their overdraft in line with their seasonal requirements. Additionally, the business expanded the third-party fund management system covering attorneys, liquidators, estates and property managers, allowing third parties to administer trust funds on their client's behalf. The segment further established a renewables franchise that is market-leading and growing in production.

The private wealth segment has seen improved primacy through bespoke, high-quality engagements and solutions with best-in-class banking products.

In creating a specific SME proposition, RB has focused on extending its market-leading transactional product, Business Evolve. Additional features will enable clients to up or downgrade their Business Transactional Account as per their business requirement changes via automated triggers. In addition, improvements to our transactional digital capability have resulted in the addition of multiple self-service/sales features to simplify banking, making it more convenient for our SME clients. The business launched MobilePay, an SME innovation that turns an android mobile phone into a point-of-sale device through the app. We also launched the SME Fridays rewards programme in early 2022, supporting SMEs by driving shoppers to their businesses on a Friday. Reformation of the SME segment and alignment with the SME market will see us focus on a clear distribution strategy in 2023.

The key outcomes of reorganising our operating model include the steady growth of revenue at 5% year-on-year to a contribution of 15.1% to the Group and headline earnings growth of 8% year-on-year.

Product Solutions Cluster (PSC)

PSC serves Absa's customers during the key moments in their lives through a comprehensive offering of secured lending, insurance and wealth management solutions. The cluster broadens franchise value by providing a compelling proposition to meet each customer's unique needs holistically.

PSC introduced new customer solutions and created additional revenue streams by implementing the bancassurance sales operating model across the franchise and external networks. Life Insurance launched an integrated Credit Life Insurance solution for Home Loans and expanded the Vehicle and Asset Finance (VAF) Credit Life Insurance offering to include car dealerships with competitive pricing. Life Insurance also launched lower-sum-insured death cover aimed at the entry-level customer segment. VAF continues to provide holistic banking solutions to dealer groups and vehicle manufacturers in collaboration with Relationship and Corporate Banking, which grew the Wholesale Finance portfolio. Home Loans, in partnership with Everyday Banking, successfully launched an integrated and simple sustainable energy solution, helping customers manage their electricity challenges as they contend with persistent load-shedding and the

rising cost of electricity. Non-Life Insurance, in collaboration with VAF, continues to enhance its digital insurance offering, Activate, growing net insurance premium income. Non-Banking Financial Services improved client experience within the Stockbroking and Portfolio Management business through investment in digitising its platform.

PSC delivered strong results in 2022, underpinned by consistent strategy execution, which sustained the underlying business momentum across the franchise, contributing 15% of Group revenue. PSC headline earnings increased by 26% to R3.5 billion (2021: R2.8 billion), as pre-provision profit grew 42%, supported by revenue growth of 25% and prudent cost management, with earnings partially offset by higher credit impairment charges.

The secured lending businesses maintained their growth momentum through a strong market presence supported by continued consumer demand and implementing digital strategies, such as self-service platforms, to stay ahead of industry benchmarks and improve customer experience. PSC also improved payment capabilities and provided more effective assistance to distressed customers, supported by enhanced risk-differentiated collections and asset realisation strategies. However, the impact of the weaker macro environment and higher interest rates has started manifesting in consumer strain.

The South African insurance and wealth management businesses accelerated non-interest income as they continue to deliver on the integrated bancassurance model with the broader franchise. Non-interest income growth was further supported by lower-than-expected mortality-related claims as the COVID-19 pandemic eased.

Absa Regional Operations Retail and Business Banking (ARO RBB)

The ARO RBB business has continuously invested in digital capabilities and services to expand our banking propositions beyond our physical infrastructure. For example, digital onboarding allows a much greater reach to attract customers and conveniently open new accounts for new and existing customers. Further investments into this capability will increase cross-selling and entrench customer relationships through multiple product lines. Through Agency Banking, we have significantly increased our physical footprint in certain of our markets into areas of the country where we have not previously been present. We are targeting a new customer base locationally and improving our physical channels' service through conveniently located agents.

ARO RBB focuses on our value customer, prestige, and premier (affluent) segments. The growth opportunity in these segments has remained attractive across all our ARO markets, and thus ARO RBB continues to service these customers through enhanced value propositions and excellence in customer service. The Mobile Wallet proposition was developed and positioned for our personal (core-middle) segment to compete with leading MNOs in the industry.

New product developments such as micro-lending offerings expand ARO RBB's traditional banking reach. While innovative developments in servicing channels, such as Abby and ChatBanking, allow for digital customer care and a reduced cost to service. In addition, digital payment capabilities have allowed penetration into an attractive revenue pool and cross-board payments.

Initiatives to improve reach, focus on segments and new product offerings enabled ARO RBB to increase headline earnings by more than 908% to R1 068 million (2021: R106 million), driven by strong pre-provision profit growth of 30% (34% in constant currency).

Corporate and Investment Bank (CIB)

CIB has a long-term vision to be Africa's leading corporate and investment bank. Our client-led strategy enables us to serve our clients wherever they may be – on the continent and worldwide. Accordingly, we aim to grow revenue from ARO faster than that from SA. To this end, CIB has identified and developed a clear strategy to support regional corporates and SA outbound clients operating on the continent. Consequently, this segment has delivered double-digit revenue growth since 2017, aiming to maintain this strong trajectory in the medium term.

In pursuing our ambition of becoming a digitally empowered business, CIB made significant progress in migrating and activating clients across the Absa Access platform in 2022. By the end of the year, 100% of the ARO client base had been migrated, and of these clients, over 64% were digitally active. In SA, levels of migration and activation continue to improve, with approximately 58% of migrated clients now digitally active.

We continue to grow new-to-bank acquisitions across our crucial growth and priority sectors, and the current primacy penetration levels indicate growth opportunities. In the last three years, the focus on client acquisition has delivered results, with CIB acquiring over 250 clients in SA and 900 in ARO. As our Pan-African platform, Absa Access, matures, we will deepen client insights, leading to new functionality and a refined client experience. CIB has also re-entered the Custody and Trustee business, planning to scale a Pan-African Custody and Trustee proposition. This capability is vital to several clients and complementary to our existing offerings.

As a leading player in renewable energy financing in SA, CIB will utilise its product and advisory capabilities to capture the opportunities associated with power and infrastructure on the continent. We have delivered several market-first transactions in the sustainability space and will continue to innovate and expand our product offering in line with our ambition to arrange R100 billion in sustainability-linked financing by 2025.

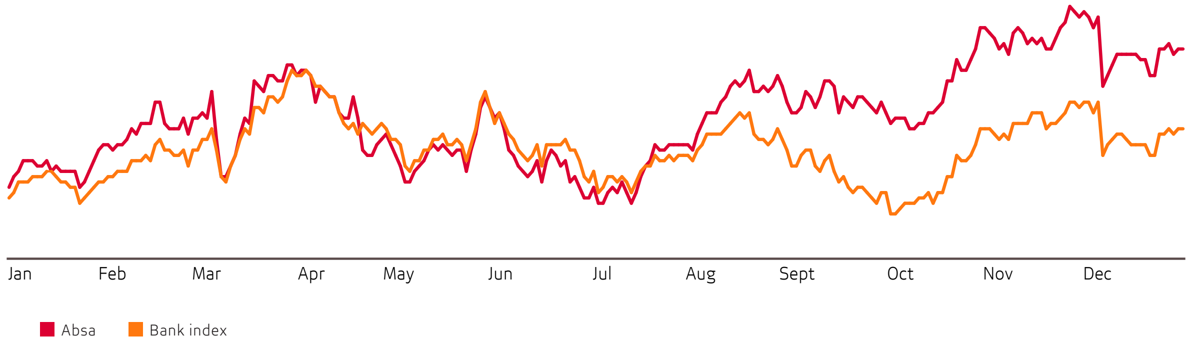
CIB continues to seek opportunities to grow revenue pools, including those in selected non-presence countries. However, given the challenging macroeconomic outlook and increased competition, a singular focus is required to deliver sector-leading solutions in each market to increase our share of traditional revenue pools. During the current period, CIB achieved revenue growth of 12% and headline earnings growth of 9%, with CIB's contribution to Group headline earnings increasing to 41.4%. Financial performance was supported by growth in the client franchise in line with CIB's strategy to put clients at the core of everything we do. In addition, our performance benefitted from improved primacy, the roll-out of platforms to our customers, maintenance of our strong liquidity position and improved quality in our asset book.

A diversified franchise with deliberate market leading growth continued

Total shareholder return

This year's 35% total shareholder return, our highest since 2014, was ahead of the JSE FTSE All-Share Index return of 12%, a peer average of 16%, and a continued improvement on 2021's 30%.

Absa share price versus the JSE Banks Index (based to 100)



Focus areas 2023

- Assess opportunities to grow in new revenue pools, including through partnerships and inorganic moves
- Continue to shape our desired cost targets to enable investments in growth and build financial resilience
- Increase our momentum in winning market share in traditional revenue pools in a challenging macroeconomic context with increasing competition
- Strengthen credit risk capabilities, where required, to sustain growth through calibrated risk appetite and upgraded processes for non-traditional market segments
- Double down on ARO to become a truly Pan-African bank, prioritising market selection for long-term growth.

The primary partner for our clients

5th most valuable brand in Africa

11.4m customers

Treating customers fairly scores
Relationship Banking **76%**
Everyday Banking **88.4%**

Customer experience scores **improved across the Group**

Least complaints out of the big five banks for the third consecutive year

Branch-on-the move

Accolades evidencing our focus on being the primary partner to our customers

- Europe, Middle East and Africa (EMEA) Finance Treasury Services Awards 2022 – Africa's Best Cash Management Services and Best Payment Services in Africa
- Annual Bonds and Loans Africa Awards 2022 – Awarded Local Markets Loan House of the Year and Sub-Saharan Africa Investment Bank of the Year
- Euromoney's Awards for Excellence 2022 – Africa's Best Bank for Transaction Services
- Best Bank for Cash Management – Africa
- Best Bank for Trade Finance – Africa
- Best Bank for Trade Finance – Ghana
- Global Banking and Finance Review Awards 2022 – Best CSR Bank Zambia
- Global Business Outlook Magazine – Named Absa South Africa the Most Customer-Centric Retail Bank 2022

Material matters

- Maintaining economic and strategic momentum
- Climate change and a just transition
- Digital dependencies and vulnerabilities
- Rising regulation
- Social cohesion erosion
- Evolving employee value proposition.

Capitals affected

Contributing to SDGs

SDG 8 SDG 10

The primary partner for our clients continued

Improving primacy and client acquisition

We are committed to delivering innovative propositions for our client segments that fully satisfy their day-to-day requirements based on a deep understanding of their needs. Primacy requires the full power of the Group's ecosystem to achieve higher revenues and profit per client segment, allowing us the flexibility to compete.

To bring the power of the group ecosystem to bear, a golden thread runs through strategy that determines how we will align value across the franchise in client primacy. Sales and customer value management between integrated businesses has been harmonised and put in place for products, channels and client relationships. The functions have been aligned to the business with client at the center. Measurements on primacy have been agreed within individual businesses.

Corporate and Investment Bank (CIB) prioritised new-to-bank clients across key growth and priority sectors. CIB continued to up-sell and cross-sell new products and services to existing clients. The business also achieved strong foreign exchange revenue growth across this segment.

Relationship Banking (RB) has invested in market data and insights to better understand client needs to create and deliver value for its customer base, thereby designing value-aligned propositions by segment to drive primacy, supported by a sound client-centric pricing philosophy and tools that enable ease of implementation. Additionally, these propositions are supported by a robust marketing plan.

Everyday Banking (EB) has overhauled how primacy is tracked, with emphasis on customer engagement and activity, including our range of customers and the nature of transactions performed. Against this backdrop, EB intensified its focus on outperforming the market through customer acquisition and primacy underpinned by vigorous marketing campaigns. These efforts were amplified by a strong emphasis on reconfiguring Absa's pricing philosophy, premised on offering unrivalled value for money to primary banked customers. To this end, building on the half a billion rand pricing relief efforts from 2021, including below inflationary increases throughout the COVID-19 pandemic, customer support was deepened with a further R500 million price reduction across EB product offerings in 2023. To further strengthen customer primacy, membership fees for Absa Rewards were entirely removed from 2023, giving up to 30% real cashback to customers for good banking behaviour.

Additionally, Absa Advantage, a digital programme launched in 2021 that incentivises good banking behaviour, saw customer engagement almost double in 2022. Other ongoing digital enhancements have driven customer primacy, including end-to-end personal loan fulfilment on the mobile banking app, increased Abby (Absa's chatbot) navigational features, record customer uptake of Absa's facial biometric identification capability, Absa ID, and the Security Hub, which enables customers to check their digital banking safety. With the acceleration of digital banking, an enhanced payment experience is also crucial in augmenting primacy. Absa remains a frontrunner in leveraging new and existing technologies.

The **Product Solutions Cluster (PSC)** provided holistic and integrated propositions that lowered the acquisition cost and provided more value to customers.

PSC is on an ongoing journey to leverage the power of digitisation and partnerships with the broader franchise and external players in our markets.

Additionally, aligned with our ambition of being an active force for good in society, in 2022, during the KwaZulu-Natal floods, we offered concessions for insurance customers, including waiving selected excess fees. Also, to increase access to affordable housing in South Africa, we partnered with the International Finance Corporation through a local currency social loan of up to R2 billion. Additionally, we have implemented various educational tools to support existing customers and attract new customers across our business areas and has lunched reward programme to SMEs.

Ensuring outstanding customer experiences

A great customer experience is key to driving primacy. At Absa, we want our customers to feel that their best interests are always considered, and treated fairly, especially during complaints process. The treating customers fairly (TCF) score measures our customers' perception of our performance against our Conduct Risk Framework and the expected TCF outcomes. The client experience score measures the service quality experienced by our customers, and the Ombudsman oversees the number of customer complaints in the industry.

For the third consecutive year, Absa received the fewest complaints out of the big five banks. By proactively addressing complaints and referrals, we have prevented more than half of complaints referred to the Ombudsman from escalating to formal complaints. We opened 35 fewer cases than the previous year, representing a 3% decrease from 2021 and a 5% industry average decrease.

The customer experience index improved notably across business units. In EB, in the entry-level and inclusive banking and student segments saw strong increase. The value-for-money perception in the market has also improved following a strategic pricing review executed over the past two years. The improved customer experience index in PSC can be attributed to the progress seen in the Life and Short-term Insurance areas. RB saw an improvement for Business Bank SMEs as the propositions grew with intensified marketing efforts.

TCF scores remain broadly consistent, although high ratings were seen on safety, security, and data privacy. This aligns with the DataEQ results, where Absa ranked first amongst peer banks in the reputation index. Customers have praised Absa for its safety features allowing them to bank efficiently and securely.

The TCF and CXI scores for RB declined in 2022 as a result of three key drivers. Firstly, the placement of customers onto restrictive control due to non-compliance in terms of financial crime and the KYC requirements. Secondly, the implementation of a revised operating model to service Private Banking customers was poorly received by impacted customers and finally, challenges with regards to Banker availability, specifically in the SME segment of the business. We have taken the necessary corrective actions to address these issues and have also taken deliberate steps to improve our capacity to monitor and manage customer complaints and customer service.

Index score[1]	Trend	2019	2020	2021	2022
Customer experience – RB	▼	75	70	64	**59**
– EB	▲	81	84	87	**90**
– PSC	▲	78	81	84	**86**
– ARO RBB					
– Retail banking	▲	73.9	78.7	80	**81.7**
– Business banking	▲	63.1	73.1	70.4	**70.5**
Client experience – CIB	▲	72	72	79	**79**
TCF – RB	▼	84	82	80	**76**
– EB	▲	86	88	89	**88**
– ARO RBB					
– Retail banking	▲	83.3	85.3	85.3	**85.4**
– Business banking	▲	79.4	79.7	82.7	**89.8**
– CIB	▲	84	88	88	**87**

[1] Customer/client score out of 150. The TCF score is a weighted index score (%).

Safeguarding customers' interests

A key priority for the Group is to increase our customers awareness of fraud, data leakage and cybercrimes. There was an increase in the number of data breaches in the first half of 2022 fuelled by social engineering (where perpetrators use psychological manipulation to trick

Ongoing awareness and training to both customers and employees covering:

- Phishing, vishing and smishing
- Scams and schemes, such as account detail change, deposit/refund and change of banking details scams
- Payment fraud
- Internal fraud
- Social engineering
- Business email compromise

To this end, employees undertake mandatory annual training covering various topics, such as anti-money laundering, data privacy protection and anti-bribery and corruption.

Preventative and detective controls, as well as product and service features, aimed at protecting customers and the bank:

- Digital certificates
- Mobile authentication payment fraud
- Identification anomalous online behaviour and payments
- Call back, identity verification and signature validation
- Voice biometrics
- SMS alerts for all transactions
- Fraud alert reviews
- Password for online transactions
- Sim swap solutions for all mobile banking customers

Robust policies, protocols and secure infrastructure:

- Identity and access management policies and controls
- Risk events are raised and escalated to the necessary authorities
- Firewalls and related network security
- Anti-virus and anti-malware tools
- Appropriate cryptographic protocols
- Information security policies and procedures and incident management procedures
- Data Privacy Policy and Standard
- Group Information Cybersecurity Policy
- Data Privacy Statement
- Data Privacy Incident Management Standard

The primary partner for our clients continued

users into making security mistakes or giving away sensitive information), along with increased payment fraud attempts (digital and e-commerce). To combat this, Absa has put several measures in place.

Building a brand our people and clients can be proud of

Absa's brand is well established, but substantial investment and focus is required to support Absa's ambition to increase primacy.

We highlighted the stories of youth impacted by our education and skills development initiatives and, working with BBC Storyworks, showcased our support of disability-inclusive training. Towards year end, we enhanced our Absa ReadytoWork app to provide more tools, resources and training to help young people bridge the gap from school into the world of work. Furthermore, our ReadytoWork augmented reality interview on Snapchat won several marketing industry awards, and LinkedIn profiled our Absa Fellowship programme campaign as a marketing case study, which resulted in Absa receiving the Best Employee Brand on LinkedIn award at the LinkedIn Talent Awards in 2023.

As our customers embrace digital technology as part of their everyday lives, we focused on building a strong digital brand and capability to offer a seamless experience across the consumer ecosystem, including social, digital and mobile apps and websites. We seek to adopt a test-and-learn approach by driving innovation in the media to test new platforms such as Tik Tok and experiment with the metaverse using augmented reality and virtual reality creative tools.

CIB successfully launched LinkedIn and Twitter accounts to bolster communications with stakeholders, which have started outperforming some key competitors in less than a year.

Absa Regional Operations (ARO) continued to develop brand recognition and build strong brand equity, reputation and trust, reaping pleasing results. ARO brand and marketing initiatives also received local accolades received in Uganda, Ghana and Zambia.

To further bolster our digital marketing transformation efforts, we continue strategically partnering with leading accelerators, including Google, Meta, Twitter and Microsoft, to gain access to world-class solutions, tools and resources for developing our brand. In addition, digital marketing transformation programmes within priority markets such as South Africa, Kenya and Ghana demonstrate our commitment to futureproofing our business.

Being a *digitally powered business* affords us a unique advantage in leveraging world-class technology solutions such as Salesforce, Workday, Coupa, Microsoft 365, Amazon Web Services (AWS) and a vast ecosystem of modular marketing technology solutions. As such, our first-party data is the cornerstone of our strategy for deepening our relationships and brand trust with customers. Therefore, we must maintain confidence in our brand by applying a rigorous data privacy and consent management approach in line with the Protection of Personal Information Act.

Across the Group, we have sought to integrate our data sources into a unified view of our customers to drive personalisation and contextual relevance. A key focus for 2023 to support the digital elevation of our brand is to find new ways to co-create value between the business and our consumers, disrupting the status quo and taking our brand into new and exciting territories, both physically and virtually.

Focus areas 2023

To advance our goal of being a primary partner for our clients in the year ahead, we will:

- Drive customer primacy through a deep understanding and satisfaction of clients' needs
- Apply data science to win franchise-wide clients and improve pricing and risk
- Rebuild a brand with affinity, linked to our purpose
- Shift the focus from NIR to deepening relationships with customers, growing capital-light revenues

A digitally powered business

Market-leading customer solutions

- **11% growth in digitally active customers** to 3 million, 13% increase in digital penetration for Everyday Banking customers, with **77% of the core segment customers** now transacting digitally and remotely
- **36%** decline in call centre volumes due to the customer service delivered through our AI-powered virtual assistant, **Abby**.

Data as our strategic asset

- **Data-driven decisions** and **revenue realised** through PocketFlow.

Superior digital customer service and experience

- Always-on, secure services with over **99% digital service availability**
- Reliable service, with **zero** severity 1 and 2 **incidents**
- Automation significantly reduced application time for home loans from **10 days to one and a half days.**

Nimble organisation

Partnerships yielded innovation accelerators to power future-ready solutions, including Meltwater Entrepreneurial School of Technology (MEST), Grindstone and CapaCiti.

Employee digital experience

- **Future-fit workplace** utilising technology to optimise productivity, engagement, and inclusiveness in a virtual world
- **Superior colleague experience** through enhanced features on Workday
- Automation of finance and procurement processing through SAP S/4HANA and Coupa.

Future-fit-workforce

- **694** students equipped with critical digital skills since 2015, of which 263 have been placed at Absa
- Built our **future-skills pipeline** through academies and certifications
- Enhanced retention and attraction of critical technology skills.

Accolades evidencing our focus on being a digitally powered bank

- Best Trade Finance Platform Initiative – Absa Trade Management Online
- Global Finance Innovators Awards 2022 – Most Innovative Bank in Africa for the second consecutive year
- Global Finance Best Digital Bank Awards 2022 – Absa Access FX platform won the Best Online Portal/User Experience Design and Best Mobile Banking App accolades
- The Digital Banker – Digital Customer Experience Awards 2022 – Best Customer Insights Initiative
- The Digital Banker – Middle East Africa Retail Banking Innovation Awards 2022 – Best Digital Bank, South Africa
- The Asian Banker – Middle East and Africa Finance Awards 2022 – Best Chatbot/Voice Banking Initiative, South Africa
- Global Banking and Finance Review Awards 2022 – Best Digital Bank, Zambia and Best Digital Wallet (Spark by Absa)
- Global Business Outlook magazine – Best Digital Bank and Most Innovative Digital Banking Platform 2022 awarded to Absa Mauritius
- MIM® Award 2022 for Major Incident Global Transformation of the Year
- Absa Mauritius was awarded Data Protection Certification by the Mauritius Data Protection Commissioner
- Project Management Institute Awards 2022 – Ghana won the Bank Project of the Year Award for project management excellence for the QR Code on ATM implementation, which was a first-to-market in Ghana
- dx100 CIO Symposium – Absa Kenya won a gold award for leading the way in digital transformation and for excellence in enterprise information technology adoption across the top 100 organisations in Africa using technology to drive innovation and business value
- Salesforce B2C Customer Appreciation Awards – Out with the Old, in with the New Award – South Africa 2022.

Material matters

- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

Capitals affected

Contributing to SDGs

SDG 8 SDG 10

A digitally powered business continued

We achieved our 2022 digital maturity target of 'performer' maturity level, showing an improvement across all capabilities – the most notable capability improvement related to our efforts to improve colleague experience and digital ways of work.

At Absa, we invest in strategic initiatives supporting our ambition to be a digitally powered bank. These include optimising our digital capability as the foundation for providing superior digital experiences for our customers and colleagues. We focused our efforts and investments on enhancing our mobile and payment offerings to our retail customers. By expanding our digital payments universe with Google Wallet and developing our soon-to-be-launched Chat Wallet, we meet our customers' needs on their platform of choice with trusted, secure and innovative products.

Absa understands the value of creating a seamless and consistent customer experience and has continued to invest in its strategic corporate, trade and forex platforms to ensure that our local and multinational corporates have access to world-class services. Absa placed a strategic focus on platform and operational solutions that are nimble, allowing us to proactively meet emerging and future customer demands.

Enabling a superior digital experience requires a continuous transformation of our internal operations. Therefore, key initiatives included the heightened focus on proactively identifying and defending our products' platforms and services from cyber threats and enhancing employee experience with superior digital solutions and ways of work.

Significant investment has been channelled towards the following key projects:

- Superior digital experience (e.g., digital channel transformation and Absa Access)
- Data as a strategic asset (e.g., enterprise data management initiative and IFRS 17)
- Continuously evolving our technology architecture (e.g., payments, branches and ATMs)
- Trust and security as our right to compete (e.g., stability and network security)
- Nimble organisation (e.g., legacy decommissioning and Group digital partnership experimentation).

Superior digital experiences for our customers and employees

We continue to enhance our customers' and employees' digital experiences, driven by several key initiatives across our various technology teams that focus on end-to-end redesign and new digital capabilities. Key initiatives and progress to date across the technology estate include:

Absa Identity Wallet	The Absa Identity Wallet, developed in 2021, is an open-source mobile application and self-sovereign digital identity manager now available in all application stores. It provides a safe, secure and trusted place to store digital, verified copies of personal information. The wallet turns your personal information into verified credentials by creating digitised copies and securely saving them as credentials in your identity wallet, allowing users to share personal information with accredited organisations such as banks, telcos, government agencies and more. It is being tested with Absa Life on its online product ecosystem for employees. Testing of interoperability across multiple wallets in the industry is also underway. Using the learnings from these pilot initiatives, we aim to expand the use of this capability in 2023. These learnings will also carry forward into the future digital asset strategy.
Ford Digital Self Service	A digital self-service platform implemented in August 2022, allowing our customers to request various vehicle finance documents (i.e., settlement letters, statements, etc.) on the web portal. This capability was initially offered to standalone Ford customers but later extended to Absa Vehicle Asset Finance customers.
Nucleus programme	A programme aimed at reducing the time taken to finalise applications for home loans by optimising the automation of the decisions and rules. Nucleus currently caters for 5% of the overall home loans volume, with a target of 50% by the end of 2023. A reduction in turnaround times has been noted from 10 to one-and-a-half to two days. The Nucleus programme remains critical to the Home Loans business process to enable our strategy to improve employee and customer digital experience while transforming processes and technology to future-fit capabilities.
Abby Virtual Assistant	Absa's award-winning Abby Virtual Assistant revolutionises how customers interact with the bank. Powered by artificial intelligence, Abby provides an intuitive user experience, allowing customers to navigate the banking app quickly and easily. Abby has been assisting our customers with queries related to payments, document management, and new product sales information, leading to a 36% decrease in call centre volumes for queries supported by Abby. We continue to increase the number of navigational features that Abby can utilise.
PocketFlow	PocketFlow is our web-based big data analytics portal targeted at corporate clients, allowing them to understand spending patterns across the industry. The portal is integral to our e-commerce proposition and provides insights into spending behaviour, demographic profiles and competitor analysis. We have made significant progress in onboarding corporate clients onto the portal. We are also pleased to report that PocketFlow is now a revenue-generating solution with several key retailers actively engaged on the platform.
Absa Access	We migrated most of our ARO clients from legacy platforms onto Absa Access. Absa Access is a digital banking platform where clients and employees can access all banking services in one place through single sign on. Of the migrated clients, a significant portion were activated on Absa Access. Today, we have foreign currency, cash management (information services, payments and collections), trade finance, custody, research and prime brokerage value propositions built and available through the Absa Access channel framework, with thousands of active customers across all our presence countries.
Workday flexibility enhancements	We continue to enhance features on our human resources management system, Workday, to improve the lived experience of our colleagues.

Data as a strategic asset

Our data strategy has been refreshed in alignment with the goals of our business clusters to help drive the enterprise-wide agenda of leveraging data as a strategic asset. The building and scaling of our data capabilities continue to receive due focus, with significant progress on migration from legacy data warehouses to the strategic data lake. Migration progress and increased business adoption of the platform led to a growth in consumption of over 50% during 2022. This increase in adoption resulted in procuring an AWS Outpost solution, the largest in Africa, accelerating our adoption of cloud-based architectures while providing more data lake capacity in line with our strategy.

We have also placed considerable focus on strengthening our data governance practices through a redefinition of our Group data governance operating model and continue to scale the pockets of excellence in data science and analytics within our business. In recognition of the exponential increase in business usage of the data and analytics platforms, the existing platforms have been enhanced to address capacity, risk and performance in the short term. This evolution has resulted in the data science team producing 130% more data science models in 2022 and halving the time for solutions. As we incessantly optimise for scale, we are adopting DataBricks to modernise parts of our data science toolset. The *2023 resource allocation* places a significant investment focus on enterprise data management.

Continuously evolving our technology architecture

We continue to focus on modernising our technology stack through initiatives such as our cloud journey and legacy replacement. Some of our critical initiatives include:

DebiCheck platform	Our DebiCheck platform protects consumers from debit order abuse, as all mandates to collect from an account must be authorised by the consumer before any collections can be made. In addition, work has continued to modernise the channel components of the DebiCheck estate to better handle the message-based (versus batch) nature of DebiCheck, with the initial components of a cloud-native solution rolled out during the first half of 2022. As a result, further stability has been achieved across the mandates estate.
Modern Insurance Policy Administration platform	The platform aims to simplify transactions and improve client engagements across the insurance value chain. Implementing the system enables the Insurance business to make fundamental strides in the strategic cloud journey and grow and mature its internal business capabilities.

Balancing our ongoing modernisation and technology hygiene with security remediation remains a priority for Absa. Key highlights include driving our cloud and open-source strategy, introducing fully cloud systems and migrating essential applications to AWS, and improving the adoption of Salesforce. We have accelerated our digitisation and cloud-migration efforts with new solutions commissioned onto the cloud, supporting the move from on-premises into cloud-based applications and increasing savings in physical infrastructure investment.

In the first half of 2022, we introduced fully cloud enterprise resource planning systems for comprehensive cost accounting and spend management solutions, SAP S/4HANA and Coupa, which will transform finance and procurement across Absa and ensure streamlined payment processes. Ultimately, this initiative will standardise and transform Absa's financial reporting and procurement processes across the countries in which the Group operates, including enhancement of tax payments and VAT determination rules, which are now automated. We successfully migrated our main financial crime application, NetReveal, onto AWS.

Trust and security as our right to compete

We continue to make steady progress in decreasing the trend of high-impact incidents and providing reliable and stable online and digital services to our customers. We are forging ahead to lift the bank out of legacy environments as we continue to improve the technology and security within the bank.

In 2022, we maintained stability, with zero severity 1 or 2 incidents reported and digital service availability held above target at 99.3%. Our continued efforts to improve our overall stability and enhance the value delivered to our customers through our digital channels are increasingly becoming market differentiators.

Security position

Like all organisations, Absa faces continuous cybersecurity threats and increasing and evolving threat actors. The ransomware and phishing risk, in particular, is developing due to such techniques' relatively low cost and continued success in compromising networks and systems. Therefore, the bank continues to focus on reducing ransomware by improving phishing controls, driving security awareness, minimising vulnerabilities, and maturing Absa's detection and response capabilities. We continuously develop our in-depth defence strategy using multiple layers of security controls to protect the bank and our customers.

The security office has established an inherently proactive security capability, and we actively invest in our cybersecurity threat intelligence and detection capabilities. We continue to learn from emerging threat vectors and actors and mature the integrity of our security controls. In the event of an incident, we conduct a thorough root cause analysis, take remedial actions where necessary, and adhere to all regulatory reporting requirements. We work with law enforcement authorities to ensure action is taken against individuals or entities in contravention of the law and partner globally with the best security partners available.

A digitally powered business continued

Ongoing technology remediation and modernisation

Key initiatives are on track as part of our overall technology remediation programme, with focused initiatives to remediate the known high-risk technology issues and implement modernisation priorities. Doing so ensures that our systems and architecture are updated, and should incidents occur, they will be more contained and quicker to recover from, minimising impact on the broader organisation. Our technology remediation programme drives the execution of remediation activities to ensure maximum speed and benefit without overburdening the system and resources, thus introducing other risks.

Nimble organisation

As we continue to be a nimble organisation that flourishes in an ever-changing consumer and operating market, we have driven the following key initiatives, which seek to promote enhanced common digital behaviours across the Group:

- Expanding our access to mature start-ups through our accelerator partnerships with Grindstone and CapaCiti in South Africa and MEST in Ghana
- Extending our experimentation on blockchain technology, especially within Trade Finance use cases and the Absa Digital Identity app
- Creating alternate talent pools to address critical skills shortages in the industry in collaboration with Citi and Harambee
- Transforming our internal operations to bolster our customer and colleague experience with Huawei, Microsoft and AWS.

Building Absa's winning formula for technology talent

In our 2021 analysis of the business's scarce, critical, and future technology skills, we identified activities to mitigate the risk of shortages in relevant technology skills. This included focusing on retaining and building in-house skills, resourcing effectively and ensuring Absa is well positioned as an attractive employer with a competitive employee value proposition. As a testament to our focus on this area, during 2022, 87% of the R43 million spent was focused on scarce, critical and future skills, with 13% invested towards management, leadership and change management skills.

We achieved notable success in scaling the AWS Cloud Incubator to upskill employees. Launched in 2021, the AWS Cloud Incubator enabled 1 464 staff members across Africa to gain cloud computing skills in 2022. We saw a significant improvement in the percentage of critical skills vacancies filled, exceeding our 85% target. Partnerships with MasterStart, University of Witwatersrand and Explore Data Science Academy have benefitted many employees in obtaining technology-related academic qualifications.

Growing digital skills in the market

By understanding Absa's internal skills landscape and what is available in the market, the Group can drive a targeted talent acquisition approach to address identified skills gaps. To bolster these acquisition efforts, over and above what we are doing to retain skills, we have made a concerted investment in key initiatives, such as the appointment of specialised technology recruiters to source critical and scarce skills while exploring the development of a more global workforce to supplement the Pan-African resource pool, where required. Specific programmes are also under development to attract women into crucial technology roles. Furthermore, we have sought to develop skills in the industry through funding bursaries and partnering with tertiary institutions and learning providers. For example, in 2022, the Absa information and technology office contributed R5 million towards funding unemployed youth bursaries to grow the collective science, technology, engineering and mathematics skills base.

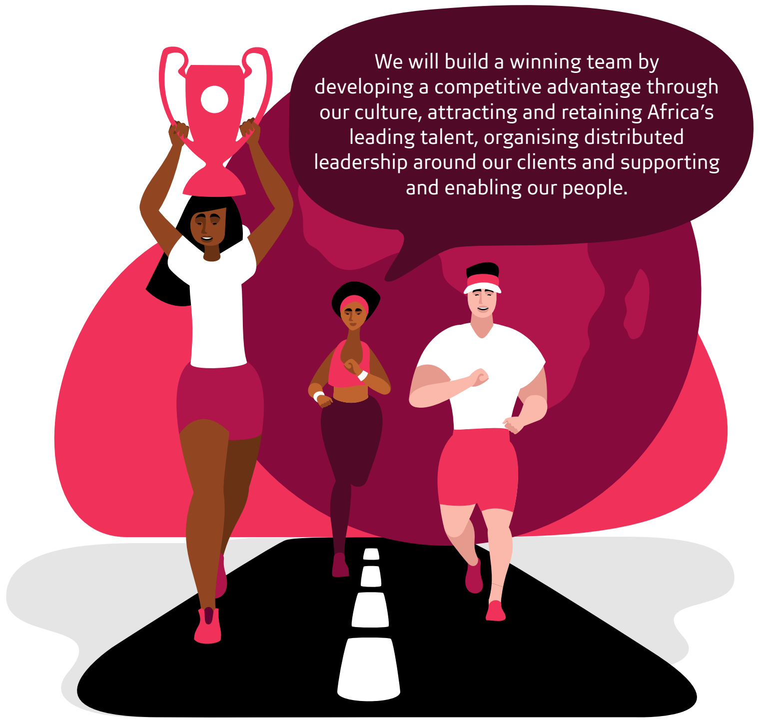
Finally, it is imperative to recognise that, in some cases, the best and most appropriate talent in the market will only be available through partnership. This is also key for building future skills. Absa boasts a strong and growing partner network offering globally leading talent. Maintaining these relationships with global tech organisations is critical, as is developing new relationships to gain access to more specialised skill sets, such as payments and cybersecurity.

Focus areas 2023

Our strategy remains unchanged, ensuring we deliver a superior digital experience to our clients and employees supported by data, future-fit technology architecture, a trusted and secure environment and a nimble organisation, allowing us to execute at speed. To deliver a digitally powered business, we seek to develop and partner to gain access to nascent technology to drive agility and embrace experimentation while scaling our learning and innovation. The key areas we will focus on in 2023 include:

- Investing and improving service and security and maintaining a strong control environment. The stability of our platforms is critical to ensure that our customers can securely transact as and when they need to. In this regard, continued improvement of our cyber defences is vital to ensure that our clients continue to feel safe when dealing with the bank
- Investing in our digital customer journeys to improve how our customers interact with the bank. Therefore, we will continue to accelerate the execution of our modernisation priorities and ensure that the bank takes advantage of new technologies as they mature to bring better propositions to customers
- Acquiring and building scarce skills to take full advantage of new technologies and developing our talent to give us a disproportionate advantage in attraction and retention, not just in banking but across the industry.

A winning, talented and diverse team



In 2022, we realigned our efforts to enable the execution of the Group-wide strategy through the efforts of our winning, talented and diverse team, focusing primarily on:

- **Building a competitive advantage through culture**
  Transforming our culture and employee experience, measured by the **Employee Experience Index of 68 (out of 100)**
- **Distributed leadership organised around clients**
  Clarifying accountabilities and devolving decision-making closer to the front line to meet our customer needs better

We assess how effectively we live our values through our annual employee survey and regular pulse surveys, course-correcting any areas for improvement.

Becoming the home of Africa's leading talent

94% high-performer **retention rate**

R27.9bn paid in remuneration, benefits, and **incentives**

R638m skills development spend

AIC[1] promotion ratio of **85.4%**

Accolades evidencing our focus on building a winning, talented and diverse team

- The Top Employers Institute® – Top Employer Africa 2023 based on the 2022 audit (we scored 87.1% vs the global best-practice score of 85.2%)
- Forbes recognised Absa as a top African organisation championing women at work (ranked thirty-sixth out of 400 companies internationally)
- Absa was voted the best employer in banking and financial services and the best overall employer in South Africa by South African tertiary students in the Gradstar Students' Choice programme, the largest survey of its kind
- The Digital Banker – Global Retail Banking Innovation Awards 2022 – Retail Banker of the Year was awarded to our Head of Digital Channels
- The Digital Banker – Digital Customer Experience Awards 2022 – Customer Experience Professional of the Year was awarded to our Head of Digital Channels

Material matters
- Social cohesion erosion
- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

Capitals affected

Contributing to SDGs
SDG 5 SDG 8 SDG 10

[1] AIC or black (South Africa) represents African, Coloured and Indian.

A winning, talented and diverse team continued

Building a competitive advantage through culture

Guided by our re-anchored strategy, we remain committed to transforming our culture in line with the changing world of work. Accordingly, we have invested significant time and resources in embedding a shared understanding of our refreshed operating model and aligning Absa leadership with our purpose and strategy.

We firmly believe that a thriving culture is reflected by the strength and commitment of our leaders. As such, our leaders have committed to:

- Doing what's best for Absa, our people and stakeholders
- Leading with integrity and taking accountability for our actions
- Embracing transformation, diversity and inclusion
- Pursuing impactful excellence
- Listening and learning.

As we matured our leader-led approach to shaping our culture, building our competitive advantage through culture remained a strategic focus in 2022. As a listening organisation, we use our bespoke employee experience survey to understand our employees' needs and concerns. In 2022, we achieved an 83% participation level, up from 80% in 2021 and 73% in 2020. Our results have improved from 64.7 out of 100 in 2021 to 68 in 2022, showing a notable improvement from our baseline of 64.1 in 2020.

Our **three critical outcomes** measured as part of the employee experience survey include:

Employee sentiment: 22% (2021: 18.3%) of employees indicated they were delighted with their experience at Absa, 47% (2021: 45.1%) were satisfied, and 31% (2021: 36.6%) indicated they were not happy with their experience

Job satisfaction mean score (out of 10): We saw a slight improvement from 7.11 out of 10 in 2021 to 7.42, indicating employees felt satisfied working at Absa

Employee advocacy (refers to how likely our employees are to recommend Absa as a bank of choice): Our employee net promoter score almost doubled from +12.8% in 2021 to +24.8%, comprising 44.4% promoters (2021: 38.8%), 35.2% neutral (2021: 35.2%), 20.4% detractors (2021: 26%).

Distributed leadership organised around customers

Within a competitive market, customer primacy is essential to our success. We therefore continue to adjust our operating model to ensure that the value we deliver as a Group is led by customer-focused business units, enabled by products that meet each segment's needs and are provided through preferred channels in specific markets. To support this model, we focus on distributed leadership, where leaders are given the autonomy to make critical decisions in their areas of responsibility.

We reviewed the operating models of each business unit and corporate function during the year to ensure the required organisational capabilities were in place. Levels of accountability informed the alignment of the structures, and decision rights were cascaded to ensure leadership was distributed across the Group into the right jobs and corporate functions across countries.

Becoming the home of Africa's leading talent

A focus on diversity, transformation, and inclusion (DTI)

Our commitment to transformation resonates with our shared purpose, and we encourage open and honest conversations to collectively own and face our challenges and celebrate our successes. Absa Group's ambition is to be an industry leader in DTI.

To enable this ambition, a detailed analysis of our current state was conducted to identify potential barriers to DTI to produce an externally benchmarked critique of our strengths and weaknesses. Based on the research outcomes, we launched a DTI-inclusive leadership journey programme, which aims to enable all leaders (starting with Group ExCo) and employees across the Group to create a more inclusive work environment throughout the employee lifecycle and business value chain. We focused on solidifying our leadership's ability to act as proponents of change, underpinned by a renewal of people practices to foster diversity and inclusion.

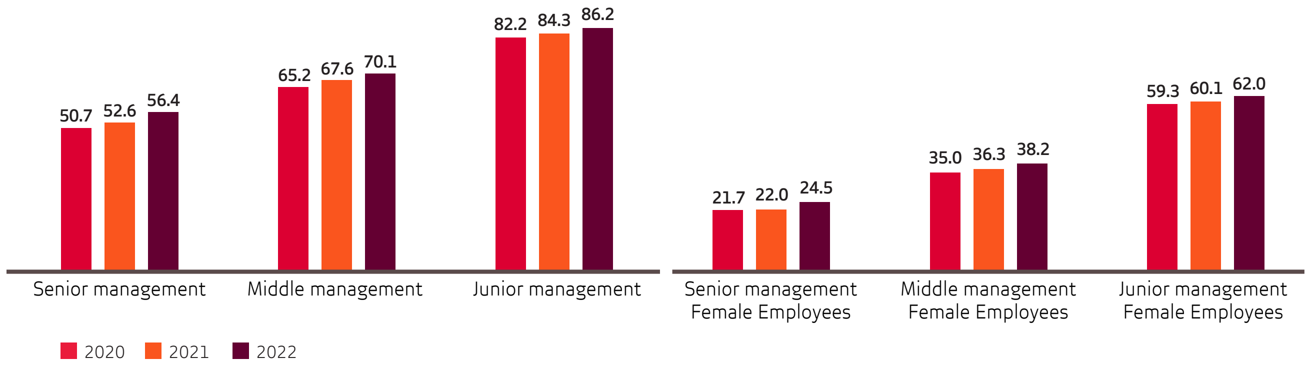
Racial diversity and inclusion

Our Board and leadership are at the forefront of the overall DTI agenda and the inclusive leadership journey. Although our Group Board black representation has decreased to 35.71% (2021: 40%), our Group ExCo black representation has increased to 46.1% (2021: 44.44%).

Our black employee promotion rate has improved to 83.9%, and representation at all levels has improved. In addition, 92.29% of all new hires were black appointments, and 49.77% were black females (SA). In line with our philosophy to grow our own timber, we promoted 61% of black employees, of which 55% were female. Racial diversity and inclusion criteria are included on our leaders' performance scorecards to ensure continuous improvement in racial representation across all management levels. The table on the opposite page displays our current racial diversity and progression over the years:

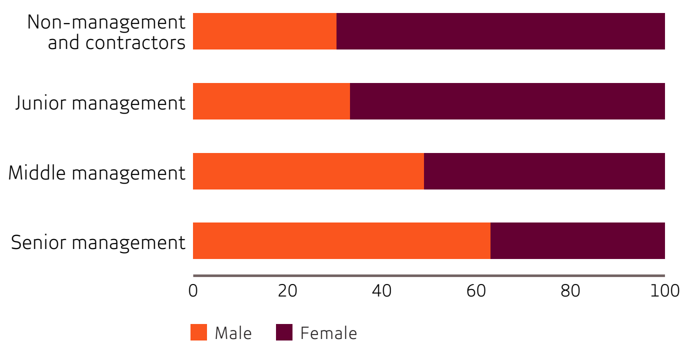
Gender diversity and inclusion

Black management representation (%) | Black female management representation (%)



Our Women's Manifesto continues to yield positive results towards our gender diversity and inclusion agenda, with Absa named one of the World's Top Female-Friendly Companies for 2022 by Forbes, ranking thirty-sixth among 400 global companies excelling in championing women at work. This landed us a top-40 spot on the list worldwide and making us the top South African company assessed in the survey. While Absa comprises 61% female and 39% male employees, we recognise that more must be done to accelerate our gender transformation efforts at senior management levels. However, we have made steady progress at the middle and junior levels. We have also seen some improvement in female progression, with 44% (2021: 42.2%) of promotions directed to females at senior management and 56% (2021: 53.5%) and 76% (2021: 65.7%) of promotion opportunities within middle and junior management, respectively, directed to females. Our ARO regions have also progressed with increased female representation from 33.33% to 34.78% at senior management levels and 39.7% to 39.92% at middle management levels.

Gender representation (%)



Inclusion of people living with disabilities

The Group continues to seek a voluntary declaration of disability. However, significant under-reporting often occurs due to cultural sensitivities and the fear of stigmatisation. Addressing this matter is a clear priority in our transformation agenda, and we strive to deliver a conducive and supportive work environment. We also provide reasonable accommodation for self-declared employees living with disabilities, constituting 0.89% of our workforce (2021: 0.88%).

Generational diversity and inclusion

Young people under 35 constitute 51.9% of our workforce, thus contributing to youth employment. According to the International Labour Organization, Africa's youth unemployment rate slightly declined to 12.7% (2021: 12.9%). However, the youth unemployment rate in SA increased to 66.6% (2021: 64%), which challenges our economic growth. As a financial institution, we have a responsibility to apply our resources to support the socioeconomic stability in our countries of operation. Therefore, we have invested R110 million (2021: R110 million) in learnership and internship programmes to reduce youth unemployment, benefitting 938 (2021: 1 652) unemployed youth with on-the-job experience. We also have an Absa Fellowship programme to develop young leaders from disadvantaged communities.

LGBT+[1] community inclusion

Creating a conducive working environment for our LGBT+ community continues to be an area of focus in countries where the agenda is legally supported. For example, during Pride Month, we hosted sessions where employees shared their challenges and offered suggestions to enable Absa to become an employer of choice for the LGBT+ community.

Talent, leadership and succession

Of the 9 374 vacancies filled, 61% were internal hires (70.4% in 2021). The decline in internal placements was largely due to external hiring efforts to strengthen our scarce and critical skills talent pipeline. Our retention of high-performing employees across all grades decreased marginally to 94% from 94.3% in 2021.

We conducted an in-depth assessment of the senior leadership bench in partnership with a leading global leadership advisory firm to enhance senior leadership development and augment internal views on talent with an external, independent and market-benchmarked perspective. While the work is ongoing to incorporate the recent changes to our Group executive leadership structures, outputs are already integrated into career development, mobility and succession management discussions and plans.

[1] Lesbian, Gay, Bisexual, Transgender+.

A winning, talented and diverse team continued

We also continue to focus on accelerated leadership development for our young talent pipelines. In 2022, 107 young talents completed our Gen A programme, delivered in partnership with Duke Corporate Education. Our Absa One Young World programme sponsored 29 talented youth to attend the 2022 One Young World Global Summit. The societal impact delivered by Absa's One Young World programme leaders in 2022 included opening the first school for autistic children in Bloemfontein, South Africa.

Our refreshed talent management philosophy, processes and practices, and consequently our succession, career and retention practices, have evolved to enhance talent exploration beyond our traditional pipelines, building talent from within while also focusing on attracting the best external talent now and in the future. Following a robust and independent talent assessment process and talent mapping exercise, we report a healthy and diverse succession coverage for senior roles in Absa. We have, however, seen an increase in the number of regrettable resignations at senior and middle management levels.

Absa Group once again received the Top Employer Africa certification from the Top Employers Institute®, a global authority on recognising excellence in people practices. In 2022, Absa scored above global best-practice standards overall and in key areas of our people and culture strategy, including career development, wellbeing and digital human resources, which ranked above global best-practice standards by 9.28%, 8.5% and 6.73%, respectively. In addition, Absa was ranked within the top 10 in the Universum Employer Brand perception survey for professionals in the sciences and technology industries and eleventh among business and commerce professionals.

Supported and enabled employees

Integrating wellbeing in the workplace

Our philosophy is to empower our people to show up in the totality of their human potential and possibility. Thus, our traditional model of care has evolved to a multi-dimensional model where wellness is integrated into our organisational philosophies, practices and processes across the employee life cycle. Furthermore, we continue refining our wellness offerings through our new care paradigm. In this way, we view wellness as a lifelong social contract focusing primarily on the seven dimensions of employees' wellbeing, occupational, physical, social, financial, mental, emotional and spiritual.

Our wellness strategy focuses on education and awareness, prevention, early detection and access to medical treatment. Support services continue to be employees' first line of assistance, with 9 785 personal cases submitted, representing a 36.2% utilisation rate (2021: 55.4%). In 2022, 19 489 participants accessed the Absa Employee Assistance programme services (2021: 17 543). The top three reasons were COVID-19, mental health issues and relationship challenges. Our medical insurance provider, Bankmed in SA, reported that 2 468 employees underwent personal health assessments (2021: 4 769) and 2 339 completed HIV counselling and testing (2021: 4 014). Non-communicable diseases remain the highest cause of morbidity among our employees and, therefore, an area of focus for education and awareness campaigns. In line with protocols from global health regulatory bodies and keeping with our risk-based approach, all COVID-19-related protocols were lifted at the end of June 2022, signalling the endemic phase of COVID-19.

The emerging global mental health crisis is alarming. We have created a comprehensive mental health programme to address this as an organisation. The aim is to equip employees with the necessary skills and resources to build their resilience and cope with the changes in their internal and external environments. We strive to create awareness and education around mental health and communicate the support mechanisms available to our employees. Our comprehensive programme encompasses mindfulness sessions that focus on developing positive mental health practices, online exercise programmes, and education through daily health tips and wellness awareness sessions to inform and empower employees to prioritise their personal wellness, enabling them to thrive in the workplace and at home.

Developing a future-fit workforce

We recognise that the spaces and places that will define the organisations of tomorrow must be flexible, future-ready and fit for purpose while retaining a people-centred approach. Therefore, to accelerate our organisation's longer-term transition to a flexible model incorporating site-based, hybrid and remote working options, we continue to support employees and the business to optimise productivity, engagement, and inclusiveness in a virtual world. We are enabling the business with the requisite technology infrastructure, tools, and resources to adopt various flexible working arrangements, moving beyond transactional to transformational change allowing a change-fit and resilient workforce with greater flexibility.

For more information, see a *digitally powered business*.

Focusing on employee development

We advocate that our employees take ownership of their development, instil a growth mindset and encourage joint manager-employee accountability for alignment between performance, growth and agility to adapt to the changing world of work.

Absa's learning and career development practices ranked well above global best-practice benchmarks in an independent audit by the Top Employers Institute® in 2022. In addition, 83% of employees who completed Absa's 2022 employee experience survey reported having access to the learning and development opportunities they needed.

In July 2022, we introduced our first-ever Absa Career Development Portal to support the career growth of all our employees. This best-in-class portal caters to all employees, presenting a plethora of development tools and information across five different career stages to assist employees in making their next career decision. By 31 December 2022, over 24 300 employees had visited the career portal.

Our total skills development spend was R638 million, benefitting employees and unemployed learners, with R500 million invested in the training and development of our employees (2021: R559 million; R449 million). R38.2 million in bursaries was disbursed to 1 056 employees, of which 88.0% are black and 66.4% are women (2021: R41.4 million). We awarded 1 278 learnerships to unemployed learners (2021: 984). 253 of these learnerships were awarded to individuals living with disabilities (2021: 148). 742 learners were enrolled in internships across several institutions of higher learning (2021: 669).

Performance and recognition

To further align our workforce architecture to performance requirements, we continued to improve our performance management processes and systems through the MyContribution programme. We focused on:

- Improving the quality of outcomes-focused objectives aligned with business priorities
- Building employee and manager capability to engage in more frequent and high-quality performance engagements
- Leveraging digital platforms to create Group-wide access to thought pieces, processes, toolkits and other resources.

We advocate for more frequent and real-time recognition alongside more formalised programmes. Therefore, in 2023 we will focus on maturing our recognition blueprint through three integrated components that facilitate top-down, bottom-up and peer-to-peer recognition, comprising:

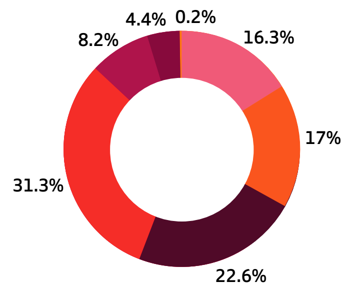
- Peer-to-peer recognition for which employees intuitively celebrate one another's everyday excellence
- Business unit or function recognition for which employees are nominated and honoured for excellence
- Organisational recognition to celebrate excellence across Absa.

Building a sustainable business

Productivity, wellness and engagement remain top priorities for Absa. As such, we monitor attrition closely to understand areas for improvement, adjustments to our talent and strategic workforce plans, and improvements to enhance the employee experience. Our ability to retain high-performing employees across all grades marginally decreased to 94% from 94.3% in 2021, above the industry benchmark of 93%.

Our total headcount remained stable at 35 451 employees (2021: 35 267), and voluntary attrition increased to 7.44% (2021: 6.41%). Total employee turnover increased to 9.2% (2021: 8.7%) compared to the industry benchmark of 11%. Pleasingly, our average employee tenure is 14.3 years.

Employee tenure profile (%)



We continue monitoring health metrics such as absenteeism, occupational health and safety. Our absenteeism rates have decreased to 1.4% from 1.7%.

Employee relations

A reduction in employee relation cases (which include misconduct, grievance and disciplinary cases) has been experienced when compared to the previous two reporting periods (2020/2021) and is below the risk threshold:

- Misconduct as a % of the workforce – 4.76% (target <5%)
- Dismissals as a % of misconduct cases – 11.66% (target <25%).

Absa adopts the South African Labour Relations Act, 66 of 1995, in its definition of general misconduct, which includes "behaviour that is inconsistent with employee obligations or duties; a breach of company policy or procedure; or generally unacceptable or improper behaviour." Examples include unauthorised absence, theft and insubordination. This definition is in line with that provided by the International Labour Organization and, as such, is applicable in all the jurisdictions Absa has a presence in.

Focus areas 2023

A summary of our 2023 focus areas includes:

- Embed leadership role modelling and integrate the renewed purpose and values into people practices and culture initiatives across the organisation while continuing to strengthen shared ownership of our culture transformation
- Anchor the new talent management practices across all business units to achieve a robust cadence of leadership assessment, pipeline development and improved succession strength across all levels. To enable this, we will launch the new talent mobility framework to allow the dynamic allocation of talent to key priorities across the Group
- Rollout DTI interventions that shift mindsets, behaviours and leadership practices, making diversity and inclusion current, topical and intentional in our day-to-day practices
- Cascade the Group's recognition initiatives aligned with the approved recognition blueprint
- Support a culture of care by integrating wellness initiatives across the employee life cycle, specifically focusing on strengthening our mental and financial wellbeing proposition to our employees
- Drive targeted investment into future-fit, critical and scarce skills development to equip the workforce of the future
- Continued enhancement of our performance management and high-performance behaviours framework.

An active force for good in everything we do

51% reduction in **carbon** emissions by 2030

30% reduction in **energy** consumption by 2030

R6bn renewables loans or 1.6% of our total Group loans

R267m investment in **communities**

ReadytoWork participants **29 881**

Total **procurement** spend **R22.2bn**

B-BBEE status **Level 1**

S&P SAM Index **89th** percentile

This section should be read in conjunction with the 2022 ***ESG*** and ***B-BBEE Reports***

Chief Strategy and Sustainability Officer discusses ESG

Accolades evidencing our focus on being an active force for good in everything we do

- Global Finance Awards 2022 – Best Investment Bank in Power/Energy (Global Sector Award) and Best Equity Bank (African Region Award). Awards acknowledge excellence in advisory, capital raising and financing solutions
- Global Banking and Finance Review Awards 2022 – Best SME Bank Zambia
- Inaugural National Presidential SMME and Cooperatives 2022 Award for Supporting Small Business Development for over 20 years.

Material matters

- Maintaining economic momentum
- Climate change and a just transition
- Rising regulation
- Social cohesion erosion

Capitals affected

Contributing to SDGs

SDG 5 SDG 7 SDG 8 SDG 10 SDG 13 SDG 16

ESG overview

ESG is gaining momentum globally. However, priorities vary significantly across stakeholders and countries in our presence markets. The need to balance environmental and social initiatives is more pronounced in Africa than in more developed regions.

Our *ESG Report* provides more detailed information on our various ESG initiatives.

Environmental initiatives: Sustainable finance, incorporating climate-change risk into the business, net-zero targets, biodiversity, energy efficiency, water and waste management, sustainable procurement, electric power charging stations and, tree-planting initiatives.

Social initiatives: Inclusive financial services for SMEs, women and youth, support for education and skills development, support for communities, employees and clients in need, and championing diversity and inclusion. We support our communities through strategic public benefit support programmes and humanitarian relief. In 2022, R266.7 million (2021: R194.8 million) was invested in assisting our communities.

Governance initiatives: Governance and risk management, fair outcomes and transparency, and resilient and robust control environment.

Our new ESG framework

During 2022, we engaged with our stakeholders regarding their ESG expectations, which revealed that social elements, including financial inclusion, diversity, transformation and inclusion, were extremely important among our stakeholders. Combating climate change also remains a priority. The outcome of our engagements with stakeholders led to the establishment of a clear ESG framework.

Drive measurable, material change in our communities, in a way that brings our purpose to life, differentiates us from peers, and strengthens our business

	Financial inclusion	Diversity and inclusion	Climate
Ambition	Make inter-generational wealth creation accessible for all	Be a beacon of diversity and inclusion across the continent, not only unleashing our talent internally to outperform, but also supporting and enabling diversity and inclusion with our clients, suppliers and communities	Reach net zero by 2050 (pathway ambition to be determined) Become Africa's leader in sustainable finance
Impacted SDGs	SDG 8 SDG 10	SDG 5 SDG 10	SDG 7 SDG 13

Organisation and operating model that scales our collective impact

Proactive **reporting and external engagement**, grounded in verifiable data that boldly tells our story

Commitment to the highest standards of **governance and ethics** SDG 16

An active force for good in everything we do continued

Climate change

We have defined four clear components to focus on in our climate strategy: financed target emissions, green business opportunities, climate risk process and governance and external engagement.

Absa's net-zero commitment

We want to raise our ambition even further and for ESG to be a differentiator for our organisation. We will collaborate with other leaders and organisations to broaden our expertise, reach and impact. Our refreshed ESG strategy defines our go-forward ambition, focus areas and roadmap. Since 2018, we have continuously prioritised our climate change efforts, achieving many notable milestones throughout. We have set the long-term ambition to reach net zero state by 2050 for our scope 1, 2 and 3 emissions. This commitment includes both financed emissions and operational emissions. The net zero pathway planning will take priority in the coming year.

Green business opportunities

In 2022, CIB advanced our sustainable finance ambition. We advanced, R30.5 billion (2021: R18.6 billion) in sustainability-linked financing, bringing the total cumulative amount of sustainability-linked financing to R49.1 billion since January 2021 – almost half of our stated ambition of R100 billion by 2025.

Notable landmark transactions concluded in 2022 in support of our clients as they transition to a low carbon economy include:

- Acting as a joint mandated lead arranger and lender for **South Africa's first utility-scale renewable energy captive power project** comprising 200MWs of solar power.
- Concluding a **landmark sustainable finance transaction** of approximately R10.4 billion for the Harmony Gold Mining Company Limited (Harmony) in South Africa.
- Enabling the refinancing of Pareto's current borrowings with **ESG-linked financing**. Using our understanding of the local real estate financing market and the Pareto group, we raised over R9 billion in demand for the transaction.
- Acting as the sole sustainability coordinator in the first sustainability-linked transaction in the paper and pulp industry for Sappi. In addition, we enabled Teraco's renewable energy journey by arranging a R1.5 billion **green loan**.

Group Treasury finalised and published the Absa Group Sustainable Finance Issuance Framework (SFIF) in 2022, encompassing the guidelines and principles of the International Capital Markets Association and the Loan Market Association. The SFIF was verified by the Carbon Trust, which provided a second-party opinion in support of the framework. This enabled the Group to raise **ESG bonds of R4.5 billion**. Additionally, **ESG loans** raised locally and in the offshore market amounted to a further **R9.8 billion**. The level of funding and diversity of investors indicates the investor appetite, and the level of support Absa can command in the investor market. Absa secured competitive pricing from the general investor market, and bilateral loan agreements with development finance institutions and offshore investors.

The **Absa Eco Home Loan** has demonstrated how collaborating with developers can assist in creating innovative solutions that enable home ownership in South Africa while supporting a more sustainable environment for all. In 2022, Balwin developments increased from four to 19, allowing customers to buy Edge-certified developments.

The value of sustainable financing was **R723 million** in 2022, an increase of 11.6% from 2021.

Climate risk processes and governance

In August 2022, the Prudential Authority (PA) issued a communication on climate risk to provide specific regulatory guidance in 2023. The PA guidelines are expected to align with the 12 Basel Committee on Banking Supervision principles that underpin regulatory requirements in various jurisdictions. Considering this report, we have developed a programme based on industry best practice. The group risk and capital risk management committee (GRCMC) has approved six priority areas in alignment with the Basel committee on banking supervision. We have further integrated climate risk considerations into strategic decision-making, business processes and enterprise risk management framework.

Diversity, transformation and inclusion (DTI)

A focus on diversity, transformation, and inclusion in the workplace

A winning, talented and diverse team provides more information on DTI as it relates to our considerations of employees' gender, race and disabilities to ensure Absa contributes to reducing inequalities (SDG 10) and promote fairness across gender (SDG 5).

Fair and responsible remuneration is another key focus when addressing inequality. Absa adopts a holistic approach to reviewing its remuneration framework, ensuring that remuneration outcomes are fair across grade, race and gender. It reflects a conscious decision to strengthen fair pay by investing in the lower levels of the organisation and addressing pay differentials where needed. It also includes ensuring that our overall remuneration offering, including our employee benefit suite, is appropriate, sustainable and fair. We are proud to have invested over R500 million in improving our fair and responsible remuneration outcomes over the past two years, including both fixed remuneration adjustments in 2021 and 2022. We paid R27.9 billion, excluding taxes, in remuneration, benefits and incentives to our employees in 2022 (2021: R26.1 billion).

We seek to strategically allocate variable reward resources aligned with performance and ensure appropriately competitive total remuneration. In addition, we sought to increase trust in Absa's remuneration frameworks and outcomes with all stakeholders by improving transparency and enhancing the link between performance and reward outcomes.

Further details of our 2022 remuneration outcomes are set out in our *Remuneration Report*.

A diversified and inclusive supply chain

Absa is one of the principal buyers of goods and services in the South African financial services industry. We use our purchasing power to support our transformation agenda, which we report on in terms of the Amended Financial Services Charter.

Our suppliers include SMMEs and national, regional and multinational companies and state-owned entities. To extend access to the Absa internal market, we have developed a user-friendly online portal, *www.absa.co.za/business/procurement-marketplace/*. The Absa Procurement Marketplace is a simplified, single platform for prospective SMMEs to register their company profiles, upload their value propositions and access supply opportunities with Absa.

	Trend	2019	2020	2021	2022
Total procurement spend in South Africa (R'bn) (B) (1)		18.9	18.8	18.9	**19.5**
Total procurement spend in ARO (R'bn) (2)		1.8	3	2.1	**2.7**
Total	▲	20.7	21.8	21	**22.2**
Procurement spend with locally registered suppliers (R'bn) (BEE: tmps[1]) (3)	▲	15.9	15.3	15.3	**15.2**
Local procurement spend (% of Group spend) ((3)/(1+2))	◄►	76.8	70.2	72.9	**68.5**
Number of suppliers – South Africa	▼	3 060	2 197	2 368	**2 984**
Number of suppliers – ARO	▼	3 320	2 572	2 401	**2466**
Limited to B-BBEE (South Africa):					
Total weighted spend with B-BBEE-accredited suppliers (R'bn) (A)	▼	17.7	17.8	16.3	**16.8**
Total procurement spend on qualifying small enterprises and exempt micro enterprises (R'bn)	▲	2.7	3.5	4.4	**2.6**
Total procurement spend on > 51% black-owned companies (R'bn)	▲	8.5	9.2	8.5	**8.8**
Total procurement spend on > 30% black-owned companies (R'bn)	▲	6.5	4.8	6.5	**7.0**
Local procurement as a percentage of total (%) (A/B)	◄►	86.2	94.7	86.2	**86.1**

[1] Total measurable procurement spend.

We support 33 (2021: 32) supplier diversity beneficiaries, and the total loan amount at preferential rates amounted to R164 million (2021: R189 million). We contributed a further R13.7 million in business development initiatives to supplier diversity beneficiaries and R55 million in capacity-building grants for SMEs supplying goods and services to Absa.

Financial inclusion

We continue to play an active role in the affordable housing market by providing relevant and appropriate financial solutions to investors, developers and the communities we serve. We offered home loans to 6 843 affordable housing customers to the value of R3.9 billion. As part of our home loan offering, our Borrower's Education programme informs customers of all home buying and ownership aspects. 6 960 customers participated in the programme, which was delivered virtually. **Our affordable housing loan book grew to R16.8 billion in 2022.**

Affordable housing (SA only)	Trend	2019	2020	2021	2022
Affordable home loans – Number of customers	▲	2 894	5 308	7 932	**6 843**
Affordable home loans – Value (R'bn)	▲	2.2	2.8	4.3	**3.9**
Total affordable home loan book (R'bn)	▲	8.5	10.6	14.1	**16.8**
Borrower's Education programme – Number of customers	▲	6 337	7 160	9 084	**6 960**

Our **consumer financial education** interventions seek to empower individuals to make informed choices and improve their lives through responsible personal financial management. The programme is funded through our regulatory spending, as set out in the Financial Sector Charter, and seeks to ensure financial literacy among the communities in which we operate. In South Africa, the programme is provided to consumers with household incomes of less than R250 000 per annum. It is delivered by accredited training partners, with over 80% of beneficiaries comprising black households and at least 25% living in rural areas.

	Trend	2019	2020	2021	2022
Number of beneficiaries	▼	149 529	52 246	32 639	**79 173**
Investment (R'm)	◄►	34.3	27.7	14.0	**33.8**

Africa remains a continent of significant potential and opportunity. Currently, over 60% of Africa's population is under 25. By 2030, young Africans are expected to make up 42% of the world's youth[1]. However, young people on the continent continue to face enormous challenges in realising their potential. The International Labour Organization estimates that one in five young Africans were not employed, educated, or trained in 2020. Moreover, Africa's labour underutilisation rate (which combines unemployment and potential labour force into one indicator) is almost 20%, indicating that a substantial portion of the population willing to work are underutilised in the labour market. In line with our focus on education and youth employability, we have taken this support further through the **ReadytoWork app** – a vehicle to deliver the ReadytoWork programme to young people between 18 and 35.

	Trend	2019	2020	2021	2022
ReadytoWork participants	◄►	35 168	20 914	20 620	**29 881**

[1] *https://www.weforum.org/agenda/2022/09/why-africa-youth-key-development-potential/*.

Our commitment to the highest standards of governance and ethics

Value created and preserved through strong governance provides more information on governance related to our application of King IV. We focus this chapter on how we support SDG 16 through **regulatory and public policy participation**.

South Africa

Market conduct

We continue to monitor, implement and, where required, perform impact assessments on various developments, including:

- Data privacy, protecting personal information and cybersecurity in multiple jurisdictions
- Customer engagement across all business operations
- Performance of all our products and services.

The Banking Association of South Africa (BASA) **Protection of Personal Information Act (POPIA) Code of Conduct** was approved by the information regulator. The code was drafted by the banks through BASA to outline and expand on the specific obligations of the banking sector as responsible parties when processing the personal information of data subjects. Some of the material changes in the code include processing limitation, data subject access rights, notification of a security compromise, retention and restriction of records, further processing limitation, openness, processing of special personal information, data subject criminal behaviour and biometric information, direct marketing, automated decision-making, information matching programmes, authorisations, the transborder flow of information, internal dispute resolutions, and the appointment of adjudicators. The code will simplify the operationalisation of POPIA for banks.

The **Expropriation Bill**, passed by the National Assembly in 2022, repeals the existing Expropriation Act of 1975, providing a common framework in line with the Constitution to guide the processes and procedures for expropriating property by organs of state. It seeks to provide for certain instances where expropriation with nil compensation may be appropriate in the public interest. The Absa legal team has thoroughly reviewed the updated Expropriation Bill. While many of the BASA proposed updates have not been included, there were positive changes that mitigate the risks for mortgages.

Absa participates in local **tax reform** and the development of effective tax systems through BASA tax workgroups, the Association for Savings and Investment South Africa, the South African Institute of Taxation and the National Treasury. We will continue actively engaging in tax developments relating to the financial services industry. We will be involved in the relevant discussions regarding tax policy and legislation as they arise.

Absa plays an advisory role in the **Payments Association of South Africa's** Rapid Payments programme, which aims to simplify and make the payment process more efficient and affordable to users. We provided drafts to BankServAfrica and scheme banks on how the rapid payments programme can be implemented across the industry. We will continue collaborating with scheme banks and regulators to ensure successful implementation.

Shortly after year-end South Africa was placed on the grey-list by the **FATF** as noted in our *Chairman's message* and the possible effects outlined in *Outlook*.

ARO

Several key legislative updates were passed in 2022 with varying degrees of impact on the respective regional operations and included:

Information security (cyber and data privacy)

Mozambique – The government has committed to releasing legislative frameworks addressing cloud data development, the management of cyber threats and regulations impacting copyright infringement, throughout 2023 and 2024. Absa is participating in the industry consultations currently in progress.

Zambia – Industry engagement with authorities over data transfer legislation has resulted in a position paper. The position paper recommends that databases, as well as the processing of data, be housed outside the country's borders. The paper is under review by the Finance Ministry, and it is worth highlighting that Absa Bank Zambia is supportive of the paper.

Financial crime

Uganda – The Financial Intelligence Authority requires all banks to file reports on international incoming and outgoing transactions and report large cash transactions above certain prescribed thresholds on the 'Go Anti-Money Laundering Platform'. The regulator has advised that there are potential penalties for any banks in non-compliance with these new regulations.

Mauritius – The regulator has requested banks to perform sanctions screening on all domestic transactions. Currently, screening is performed on 10% of transactions retrospectively. The industry is seeking further guidance from the regulator on implementing the law. Absa Bank Mauritius has established a working group to monitor and implement as required.

Payments compliance

Globally – The Society for Worldwide Interbank Financial Telecommunication (SWIFT) released a global standard whereby all financial institutions utilising the SWIFT network are required to enhance their systems with the capability to send and receive payments via a messaging format as defined by the ISO 20022 standard. Alignment with the ISO 20022 standard creates a common language for payments worldwide, intending to enhance data quality.

Tanzania – The national payment switch to the Instant Payment System provides real-time funds transfers for banks and non-banks. The platform enables regulatory oversight and is aimed at improving payment turnaround times. The system enhancements will reduce lead time and possible errors due to human intervention. The system enhancement was deployed in November 2022 in alignment with the country's digitisation strategy.

Outsourcing guidelines

During September 2022, the regulator in Mauritius released guidelines using cloud services. No additional impact has been identified for Absa Bank Mauritius, which already deploys stringent cloud services guidelines.

Climate change

The regulator in Kenya has issued a framework to manage climate-change risk. Embedment of the framework was completed during June 2022, and the regulator is continuously informed of embedment updates. Similarly, to address climate-change risk, Absa Bank Mauritius conducted an exercise to reassess risk exposure concerning credit, market and operational risks. The assessment is ongoing, with embedment scheduled for 31 March 2023.

Focus areas 2023

The next steps in bringing our active force for good ambitions to life include:

- Progressing our work on our net zero pathways
- Further strengthening our climate risk management framework
- Building out and embedding our Group-wide ESG capability
- Clarifying our ambitions per ESG focus area, aligned to our purpose
- Defining our flagship programmes per ESG focus area
- Implementing a holistic set of ESG targets and reporting mechanisms to measure and communicate our progress.

Outlook

Long-term value creation requires future focus, responsive strategic planning and consideration of available resources.

Short term <12 months	*Medium term* 3 years	*Long term* >3 years

Our next steps in 2023 are discussed by:

Our leaders:
- *Group Chairman message*
- *Group CEO message*
- *Group FD message*

Business:
- *Diversified franchise and market leading growth – Future focus 2023*
- *Primary partner to our clients – Future focus 2023*
- *Digitally powered business – Future focus 2023*
- *Winning, talented and diverse team – Future focus 2023*
- *Active force for good – Future focus 2023*

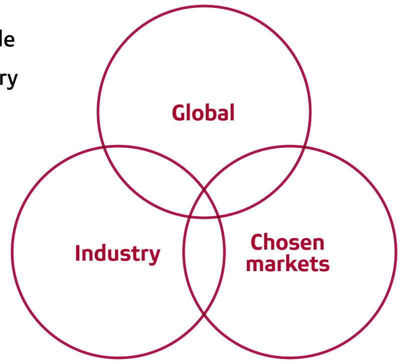
Those who govern us:
- Board committee future focus areas 2023

We need to ensure our stated aspiration and supporting strategic themes are grounded – considering the risk involved, the competitive landscape, the available opportunities and our ability to deliver on these opportunities. This includes considering the availability, affordability and quality of the capitals we will require to execute our strategy.

Our understanding is informed by potential barriers and opportunities, taking into account:

1. Most severe global risks in the next decade
2. Medium to long-term trends in our industry
3. Medium-term outlook in our key markets

We unpack each of these elements in more detail on the pages that follow.



Most severe global risks in the next 10 years[1]

The WEF predicts the next ten years will be characterised by environmental and societal crises that will be driven by geopolitical and economic trends. If left unchecked, this could give rise to a polycrises[2] scenario.

1. Failure to mitigate climate change
2. Failure of climate-change adaptation
3. Natural disasters and extreme weather events
4. Biodiversity loss and ecosystem collapse
5. Large-scale involuntary migration
6. Natural resource crises
7. Erosion of social cohesion and societal polarisation
8. Widespread cybercrime and cyber insecurity
9. Geo-economic confrontation
10. Large-scale environmental damage incidents

Risk categories

Economic | Environmental | Geopolitical | Societal | Technological

Medium- to long-term trends in the financial services industry[3]

Payments

- Cashless transaction volumes are expected to rise by 78% from 2020 to 2025 and then by 64% from 2025 to 2030 (globally 82% and 61%)
- 60% of central banks are exploring digital currencies
- Central banks remain concerned about decentralised finance and private crypto-currencies
- Digital wallet use will continue to rise, with convenience driving wallets as a first point of contact
- Digitised supply chains are the next frontiers for digital wallets
- Regulators are expected to strengthen domestic infrastructure for payments
- Payment initiation is changing towards digital wallets supported by open banking
- New customers are skipping card payments and opting to move directly into mobile wallets and account-based payments
- Cross-border payments are being re-invented on the back of the need for low-cost, instant solutions
- Cross-border connectivity of domestic instant solutions will be possible through global payments standardisation
- As consumers adopt new payment solutions, financial crime is rising and banks will need to protect full payment ecosystems.

[1] Source: World Economic Forum Global Risks Perception Survey 2022-2023.
[2] Polycrises – Where disparate crises interact such that the overall impact far exceeds the sum of each part.
[3] PwC – Future of payments 2025; Retail banking in 2025; Insurance 2025 and beyond.

Retail banking

- By partnering with banks, customer-facing parts of the value chain will be captured by fintechs and entertainment players without the hurdle of a banking licences
- Big tech and non-traditional players (e.g., retailers) could apply for full banking licences
- Regulators will rethink barriers to entry based on concerns (from consumers over data, privacy and cybercrime) or opportunity for new entrants (e.g., crypto-currencies)
- Technology investment costs will be high but necessary to ensure optimal customer experiences or risk falling behind peers and non-traditional banking players
- Public distrust can incite doubt in financial institutions or banks reclaim trust as the central provider of financial products and services
- Sentiments can gravitate towards nationalistic protectionism, favouring smaller local banks.

Insurance

- The global protection gap continues to rise. The base estimate is a 6% increase to 2025 to USD121 billion for Africa and the Middle East
- It is expected that a significant portion of insurance revenues will come from digital platforms offering insurance-as-a-service
- Insurers must embrace digital technologies especially data and responsible artificial intelligence to remain relevant
- Swiss Re estimates that by 2040 up to USD183 billion in premiums globally will be raised due to climate change.

Medium-term outlook in key presence markets

South Africa – Our primary market and listing geography

Investment grades:
- Foreign currency long-term (Moody's) – Ba3 (Stable)
- Local currency long-term (Moody's) – Ba3 (Stable)
- National long-term (Moody's) – Aa3.za
- National long-term (Standard & Poor's)

Despite record load-shedding in 2022, the South African economy proved resilient, with stronger-than-expected GDP growth. However, the performance of Eskom's generation plants deteriorated sharply over the year, taking the energy availability factor to approximately 55% of installed capacity, resulting in persistent power cuts. However, the National Energy Crisis Committee has an ambitious plan to add new power from various sources to the grid over the next two years. Eskom also aims to improve its maintenance to lift its generation performance, but the targets are extremely challenging. Thus, regular load-shedding will likely persist until the end of 2024, limiting the economy's ability to grow. We, therefore, forecast growth of 0.7% in 2023, rising to an average of approximately 2% from 2024 to 2026. Unfortunately, the South African economy suffers many other structural growth constraints, and the reform programme is progressing slowly, with critical areas such as labour markets omitted.

Consequently, business confidence remains weak, resulting in subdued business investment. Though government has made significant progress in strengthening key institutions such as the South African Revenue Services and the National Prosecuting Authority, a much faster and broader set of economic reforms is needed to create a conducive investment environment. At 14% of GDP currently, South Africa's fixed investment ratio is below the rate of capital depreciation – meaning that our capital stock is not growing.

Meanwhile, after the shocks to food and oil prices due to Russia's invasion of Ukraine sent inflation soaring, it has now clearly peaked. Consumer price inflation will likely continue its downward trend in 2023, returning to the midpoint of the South African Reserve Bank's (SARB's) target range in the second half of the year. Various upside risks persist, however, with producers aiming to pass on their cost increases to consumers. Food price inflation is proving particularly problematic, given its importance to the welfare of South African households. That said, we forecast headline CPI to average 5.5% in 2023 and 4.6% from 2024 to 2026, just above the midpoint of the SARB's target for inflation. With subdued GDP growth and a relatively high inflation target, the rand will likely fall against the US dollar over the long run. The SARB has now removed its extraordinary COVID-19-related monetary policy support. Since the end of 2021, the Reserve Bank has hiked interest rates by 3.75 percentage points (pushing the prime lending rate to 10.75%) to contain inflation.

There is likely some room for a small amount of easing in the future once the US Federal Reserve has completed its hiking cycle. Ultimately, with an inflation target midpoint of 4.5%, the SARB could settle the repo rate at a neutral level of 6.75%, leaving the prime rate at a 10.25% long-run trend.

Implications of grey-listing

Absa's assessment of the impact of being grey-listed has revealed potential economic implications for South Africa including (among others):
- Reduced capital inflows and foreign direct investment negatively impacting GDP
- Impact in exchange rates and asset prices
- South African financial sector access to key financial markets impacted
- Potential further credit rating consequences for SA Sovereign, domestic banks and corporates.

While there are potential implications on the broader South African economy, the direct impact on Absa is expected to be in the short-term as Absa is following internationally accepted standards. By proactively managing our risk exposure and the risk we pose to other international counterparts, our Risk Management Compliance programme requirements primarily adhere to the recommendations made by the Financial Action Task Force.

Outlook continued

Absa, together with the other larger banks, worked actively with BASA to support National Treasury, the South African Reserve Bank and the Financial Intelligence Centre to address the remaining actions, in particular the proposed General Laws (Anti-money Laundering and Combating Terrorism Financing) Amendment Bill 2022, which are required to avert remaining on the grey list. Updates to the legislative requirements imposed on and impacting Accountable Institutions as set out in the proposed General Laws Amendment Bill will be addressed within the Risk Management and Compliance programme, as required.

Baseline scenario for Absa's top five presence countries	2023	2024	2025
South Africa			
Real GDP (%y/y)	0.7	1.8	2.0
CPI (% avg)	5.5	4.8	4.4
Policy rate (% eop)	6.75	6.75	6.75
Botswana			
Real GDP (%y/y)	4.3	4.0	3.8
CPI (% avg)	6.4	4.3	4.2
Policy rate (% eop)	2.65	2.90	3.25
Ghana			
Real GDP (%y/y)	2.7	3.8	4.1
CPI (% avg)	40.7	12.5	12.9
Policy rate (% eop)	28.0	25.0	25.0
Kenya			
Real GDP (%y/y)	5.0	5.2	5.5
CPI (% avg)	5.9	4.8	4.9
Policy rate (% eop)	8.75	8.75	8.75
Mauritius			
Real GDP (%y/y)	5.1	4.2	4.0
CPI (% avg)	6.3	4	3.8
Policy rate (% eop)	5.0	5.0	5.0

Source: Absa Economic Research Q1 2023 released February 2023. SSA Viewpoints pages 9, 13, 17 and 19. SA Quarterly Perspectives page 13.

Our four most significant regional operations

Botswana

The economy expanded by an estimated 6.1% in 2022, following resilient consumer demand and a strong performance by the diamond mining sector. However, we expect economic growth to slow to 4.3% in 2023 against a weaker global economic backdrop, which poses a risk to the country's key diamond sector. Nevertheless, the declining inflation and still accommodating monetary policy will likely support the economy even though monetary policy normalisation could result in higher policy rates in 2024. Over the forecast period, we expect economic growth to average around 4%.

Ghana

Amid an economic crisis, the near- to medium-term recovery prospects seem challenging. Following estimated growth of 3% in 2022, we expect the economy to weaken further this year, with risks tilted to the downside. Inflation closed in 2022 at 54.1% year-on-year, although we expect it to decelerate in 2023, with no further policy rate hikes anticipated. Encouragingly, with the domestic debt exchange being completed, we believe that progress with external creditors in the coming months could see the USD3 billion International Monetary Fund (IMF) programme being approved before mid-2023, underpinning fiscal and economic recovery. Still, the country is looking at a long and challenging road ahead, with painful reforms required to put the economy back on a more sustainable path.

Kenya

Real GDP slowed to an estimated 5.3% in 2022 from 7.5% in 2021 as base effects, a weaker agriculture sector and election uncertainty weighed on output. Inflation has peaked and will likely decline steadily in 2023, suggesting no further policy rate increases. Although we expect a further slowdown in growth to around 5% in 2023, the longer-term outlook remains positive, partly due to the energy sector development and other infrastructure projects. With the IMF's support, authorities are addressing debt vulnerabilities by targeting an aggressive fiscal consolidation path characterised by efforts to improve revenues and limit expenditure growth.

Mauritius

The economy expanded by 7.6% in 2022, but there is evidence that its growth engine is losing steam. We expect growth of 5% in 2023, moderating further in subsequent years as the favourable base effects from tourism arrivals recede. The tourism sector is threatened by the weaker global growth outlook and the lower affordability levels, particularly in Europe – the island's largest source market for tourism. Meanwhile, we expect one more policy rate increase during the first quarter of 2023 amid still elevated inflation. The weaker growth momentum and prospects for inflation to ease this year point to no further policy rate hikes from the second quarter of 2023 onwards.

Possible effects on our strategic ambitions

By assessing our global risks, industry changes, and key market trends , we can adjust or affirm our strategic response and identify which strategic pillars are most at risk. It further enables us to understand how changes to the various capital inputs into our business model might impact future performance and strategy execution. We see the possible effects over the medium and long-term as follows:

Strategic pillar most at risk | **Capital most impacted**

A diversified franchise with deliberate, market-leading growth

Given the stressed economic climate, a significant risk facing the banking sector is the potential for bad debts to remain elevated. Credit risk can result from expected losses (e.g., customers having difficulty repaying loans) or unexpected losses (e.g., those that arise from a shock, such as riots experienced in July 2021).

During our strategic planning process, we considered potential scenarios in the global macro environment over the next three years and how these scenarios could influence our ability to create market-leading growth. We considered an inflation growth and a stagflation scenario considering factors such as interest rate, cost-of-living, monetary policy, GDP growth and inflation.

We are comfortable that, despite the immediate economic downturn and the medium-term risk of increased cost-of-living across many of our developing country markets, we are in a strong capital position to deliver our medium-term plan (2023-2025).

Our 2023 guidance can be found in the *Group Financial Director's message*.

The primary partner for our clients

The competitor landscape is continuously evolving with an increasing number of digital-only providers and other non-banking competitors. We therefore have to compete within this evolving environment to be the primary bank for our clients ensuring that we organise around our clients, giving us agility to adapt to their evolving needs.

A digitally powered business

Widespread cybercrime and cyber insecurity can possibly negatively affect the quality of intellectual capital i.e., our technology architecture and or data assets can be compromised. Achievement of our medium-term plan accounts for digital investment, as reflected on our 2023 change initiative budget.

A winning, talented and diverse team

"Over the next 10 years, fewer countries will have the fiscal headroom to invest in future growth, green technologies, education, care and health systems. The slow decay of public infrastructure and services in both developing and advanced markets may be relatively subtle, but accumulating impacts will be highly corrosive to the strength of human capital and development – a critical mitigant to other global risks faced." – WEF[1]

People are our strength, and our business model depends on human capital. Although Africa is the home to the largest growing young adult population, it is also home to high unemployment levels due to inadequate education systems. Over the past decade, there has been a notable increase in emigration levels as a result of these challenges. These factors impact on our ability to find the right critical and scarce talent we need. If societal risks only become more pronounced in the next decade, we will have to consider alternate human capital strategies. The cost of critical skills to strategic initiatives is regarded in the medium-term plan (discussed above), and we have set a target of 70% for our employee experience index in 2023.

An active force for good in everything we do

"Policymakers are increasingly confronted by perceived trade-offs between energy security, affordability and sustainability. The stark reality of 600 million people in Africa without access to electricity illustrates the failure to deliver change to those who need it and the continued attraction of quick fossil-fuel-powered solutions – despite the risks of stranded assets, energy security challenges of exported fossil-fuel commodities and lifetime carbon emissions that exceed the 1.5°C limit." – WEF[1]

Increased climate and ecological risk in the long term will widen the opportunities base for Absa in terms of sustainability and ESG-linked financing. We are confident we will reach our 2025 target of R100 billion in sustainable financing.

[1] Source: World Economic Forum Global Risks Report 2023.

Value created and preserved through strong governance

Protecting value through sound governance

Sound corporate governance practices are vital for creating and sustaining shareholder value and ensuring that behaviour is ethical, legal and transparent – thereby reducing the risk of value erosion. Our Board is committed to continuously improving our corporate governance principles, policies, and practices by remaining abreast of evolving regulations and best practices. This is further enhanced through engagement with regulators and industry bodies, and seeking regular feedback from other stakeholders.

Leadership, ethics and a force for good

In line with our pursuit of best-practice governance, we focus on the four governance outcomes as envisioned by King IV. We are compliant with all the principles as outlined by the Code.

Ethical culture

The Board sets the tone and leads the Group ethically, effectively and responsibly. In decision-making, individual Board members act with independence but on a consensus basis, with competence, commerciality and challenge, and with the necessary awareness, insight and information. The Board ensures that the Group plays a key role in society as a trusted taker of deposits, contributor to financial markets, lender, major employer, buyer of services, contributor to the local community, taxpayer and skills provider.

Good performance

The Board is accountable for the performance of the Group, considering the possible positive and negative outcomes of the Group's activities and outputs on the economy, society and the environment in which we operate (see *our business model* for more detail on activities, outputs and positive and negative outcomes). Taking these factors into account, the Board approves the strategy and any changes thereto. The Board also monitors the execution of the strategic objectives.

Effective control

The Board provides guidance to, and oversight of, the management of compliance risk, remuneration, the enterprise-wide risk management, and the related lines of defence that support good governance practices. The Board actively monitors the control environment and adjusts risk appetite and growth objectives.

Legitimacy

Absa is grounded in the communities within the countries in which we operate. The Board oversees the Group's stakeholder policies and takes a stakeholder-inclusive approach, recognising the need for transparent disclosure and open channels of communication.

Ethical leadership 1

Good conduct is fundamental to guarding against value erosion, thereby supporting the financial services industry's sustainability and enabling value creation and preservation. Good conduct is driven by our daily behaviours and exhibited in our individual and collective actions and decisions. **The Board assumes ultimate responsibility for the Group's ethics** performance and adherence to human rights principles. The implementation of this responsibility is delegated to executive management while the Board oversees the various tools, processes and systems used to embed an ethical culture in the organisation.

The **Board Charter** is the constitution that guides our Board and its committees in their activities and decisions, as well as in their dealings with each other, with management, with our stakeholders and with the Group as a whole. It is designed to guide directors and external audiences on how we approach critical issues within the Group. It is aligned with the South African Companies Act, King IV, the JSE Listings Requirements, the Basel Practices on Governance, and the SARB Directive 4/2018. The **Group Governance Framework** is the glue that pulls together the practices, policies and decision-making of the Group's material subsidies ensuring alignment of approach to risk, governance and policy in all entities and all jurisdictions and sets out the Group's **minimum requirements** regarding matters such as 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.

We consider actual and potential **conflicts of interest** at each Board and Board Committee meetings; in the declarations of interest (which are reviewed at least every two months); and in the annual assessment of directors' independence. A director may accept other board appointments, provided potential conflicts are considered and appropriately disclosed and managed, and the appointments do not conflict with the Group and/or adversely affect the director's duties. Before accepting such an appointment the proposed board appointment must be agreed upon with the Chairman, and in some instances the Directors' Affairs Committee. The Group Governance Framework, Board Charter and the Board Conflicts of Interest Policy provide guidance on how to treat any conflict of interest at a Board level.

Directors are responsible for avoiding situations that place, or are perceived to place, their personal interests in conflict with their duties to the Group. A director or prescribed officer and all our employees are prohibited from using their position or access to confidential and price-sensitive information to benefit themselves or any related third party, financially or otherwise. Where actual or potential conflicts of interest are declared, we implement a recusal procedure and affected directors are excluded from discussions and any decisions on subject matter related to the declared conflict.

An ethical bank 2

The Ethics Institute of South Africa announced Absa Group as the 2022 Ethics Initiative of the Year Award winner, in recognition of the Absa Ethics programme. It specifically honours how Absa managed and executed the Ethics programme during the COVID-19 pandemic, including the proactive ethics interventions that were implemented. The award also recognises the implementation of various initiatives designed to incorporate the Absa Way Code of Ethics into business decisions and, in so doing, encouraging that ethical business principles and practices to be considered and upheld.

Absa's Values help to shape our culture and guide the way we behave, and how we want our colleagues, customers and stakeholders to feel about interacting with us. By creating an environment where everyone feels valued, empowered and supported, our people are able to live into our purpose and Values as co-owners of our culture and deliver on our ambitions of outperformance.

An ethical culture fosters values-based decision-making and shows how our policies and practices align with the Absa Values. This drives the proper behaviour concerning our stakeholders.

The **Absa Way Code of Ethics** outlines our values and expected behaviours when engaging with our fellow employees, customers, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community. The objective is to define how we think, work and act as a Group to ensure that we deliver against our purpose. The Absa Way Code of Ethics and Group Conflict of Interest Policy is reviewed and approved annually by the Social, Sustainability and Ethics Committee. This year, we focused on benchmarking the Absa Way and Conflict of Interest Policy with local and international practices including the Harvard Business School Global Business Standards, Codex, the UN Global Compact principles, and local and international banks. The Absa Way handbook has also been updated and rigorously edited, which produces a simplified, more digestible, and easily communicated Code of Ethics. The Absa Way includes the CEO and Board commitment statement, which recommits the Board and Executives to the principles and behaviours set in the code. The Absa Way 'speak up and speak out' training was rolled out in 2022 and included lessons learnt sharing as per ethics risks within our various jurisdictions. There was also ongoing system-based training for new joiners and annual training for the rest of our employees. In October 2022, the Group launched its first supplier ethics day, where suppliers were trained on the Supplier Code of Ethics principles. The supplier ethics day also focused on creating mutually beneficial relationships with suppliers and third-party service providers premised on ethical and values-based merit. The Absa CEO and Chairman's messages on ethics and whistleblowing were shared in October with our colleagues and suppliers. We hosted various panels in 2022 in many jurisdictions, which included live ethics panel discussions by senior executives within the Group. The Ethics Ambassadors Forum continues to drive the conversation on ethics risks and tools. Board ethics training was delivered in 2022 to Mauritius, Tanzania NBC, Seychelles and the Absa Group. Country specific ethics training was also provided across all ARO subsidiaries.

In 2022, we continued to mitigate risks identified through our Group-wide ethics risk assessment survey. Country specific ethics management plans were supported by the in-country executive teams and noted within the different boards. The Social Sustainability and Ethics Committee continues to track and hold management accountable for the Group Ethics Management Plan.

The **Insider Trust Programme** aims to prevent insider threats and mitigate the associated risk. We conducted employee assessments across cyber, fraud and physical security domains.

Several mechanisms govern **employee conduct**, including but not limited to, the Absa Code of Ethics, Absa Values, Conditions of Service Policy, Conduct Risk Framework, Fraud Risk Policy and Investigations Standard, an Employee Relations Navigator system and the C-Zone compliance monitoring platform.

Absa has no tolerance for wilful detriment to customers, clients, market integrity, and competition from the inappropriate supply of financial services, including wilful and negligent misconduct, breach of regulatory requirements and unethical behaviour. Personal accountability is central to our culture and *our behaviours*.

We monitor employee conduct through several risk mitigation tools, culture surveys and tracking disciplinary cases, grievances and ethical breaches. This analysis helps determine the areas impacting culture and identifies how to better align these with Absa's Values. In addition, conduct forms part of an employee's annual performance assessment and unethical conduct can result in a range of possible sanctions, including dismissal.

Protecting value through sound governance continued

The number of disciplinary cases as a percentage of employees remained stable. Of the 1 690 (2021: 1 577) disciplinary cases reported, 1 480 were concluded in the year (2021: 961), and 422 were due to ethical breaches (2021: 414). 148 (2021: 116) cases resulted in dismissal.

Whistleblowing is a safe platform for employees to raise concerns confidentially and anonymously regarding unethical behaviour and/or fraud. We saw the highest number of whistleblowing cases in the third quarter of 2022, which could be attributed to the whistleblowing awareness campaign. As in previous reporting periods, 'Breaches of Policy, Procedures or Controls' and 'General Unethical Conduct' were the two most prevalent categories of whistleblowing matters reported in the quarter.

In 2022, 416 tip-offs were received, of which 105 (37% of closed cases) were substantiated and 180 unsubstantiated to date, while 131 remain under investigation (2021: 416; 112; 201; 103). 303 tip-offs were staff conduct related, of which 74 (38% of closed cases) were substantiated to date (2021: 76; 36%). The ageing of whistleblowing cases is actively monitored and reported on, and regular feedback is provided to whistleblowers, where they choose not to be anonymous. While many cases were unfounded, those upheld contain essential insights for management to ensure additional controls, consequence management or other behavioural changes. The necessary investigations were undertaken, and appropriate disciplinary action was applied where necessary. Four employees were dismissed. We refer criminal offences to the relevant authorities for criminal prosecution. Whistleblowing is audited regularly (internally and externally), where external audit focuses on benchmarking the whistleblowing process and internal audit assesses the details behind the process.

Data privacy and the protection of personal information are of utmost importance, and we are aware of our responsibilities regarding the personal data entrusted to us. We process personal data responsibly and ethically. In 2022, we received 56 customer data access requests and privacy complaints were validated, 47 data privacy incidents were reported to the South African Information Regulator.

Supplier due diligence includes anti-bribery and anti-corruption checks. We require our suppliers to uphold high corporate governance standards and align with the Group's ethics and human rights policies. Their readiness to respond to, manage and mitigate operational, financial and reputational risks is assessed during onboarding and periodically thereafter, in line with the Group Procurement Policy, External Supplier Standard, the Supplier Management Standard and Supplier Code of Ethics. Independent assurance of high-risk and high-value tenders and outsourced agreements ensures that contracting processes are discharged in compliance with regulatory requirements, frameworks, policies and processes.

Absa is developing a set of compliance indicators that we will evaluate suppliers against. Smaller suppliers receive assistance with their processes to ensure that downstream conduct and ethics align with ours. The Group Supplier Code of Ethics has been circulated to suppliers to ensure that the Group's values and ethical standards are clearly articulated to, and supported by, all suppliers, with regular reporting to the Social, Sustainability and Ethics Committee. Absa Group Procurement continues to embed the Absa Way Code of Ethics and, to this end, developed the Supplier Code of Ethics to implement the environmental, social and corporate governance imperatives and manage risks the bank is exposed to through association with suppliers. The Supplier Code of Ethics determines the ethical values, standards, principles, and guidelines that bind our suppliers in all their dealings with the Group. This is enabled by rigorous due diligence before entering into relationships with key suppliers, and continuous monitoring to avoid adverse impacts in our supply chain. Therefore we have:

- Implemented Coupa Risk Assess in collaboration with our compliance partners to ensure that we have factored the Supplier Code of Ethics considerations into the procurement onboarding value chain to proactively identify and manage the potential adverse impact on Absa's brand and reputation
- Developed an enhanced due diligence process to identify ethics risks before entering supplier relationships, providing Absa with an opportunity to either decline to do business or manage the risk where there is an appetite to do business with a particular supplier
- Hosted a supplier ethics day in October 2022 to raise ethics awareness with our current and potential suppliers.

Furthermore, we were assessed by independent agencies and achieved the following recognitions as a result of the focused approach to this vital topic:

- ISO 37001 certification
- Chartered Institute of Procurement and Supply Ethics Kite Award.

In adhering to our Supplier Code of Ethics policy, we align with the Group's Enterprise Risk Management Framework and Strategic, Sustainability and Reputational Risk Framework. In managing the aforementioned risks and frameworks, we enable responsible sourcing and supplier engagement. Our suppliers must establish and demonstrate a baseline for ESG practices and management from which future performance improvements and impact can be tracked, measured and communicated.

No supplier relationships were terminated in 2022 because of ethical concerns. Group Supplier Assurance continuously and specifically reviews our critical and high-spend suppliers for financial, operational and reputational risks. We conducted discrete 486 control reviews during the year (2021: 335).

The Group High Risk Onboarding and Exit Committee is a management committee that takes decisions regarding high-risk clients and related financial, compliance, conduct and reputational risk. Each business segment also has a client exit and onboarding committee, which escalates material reputational risk matters to the Group High Risk Onboarding and Exit Committee. 3 385 customers were assessed through this governance process since its inception in 2019, of which 1 428 customer relationships were exited.

2

The Absa Way Code of Ethics

Supplier Code of Ethics

Absa Way Code of Ethics training
98.5%

1 690 disciplinary cases

416 tip-offs received

The executive team assesses the degree of alignment between our key suppliers and customers and our corporate culture when making significant procurement and sales decisions.

An active force for good in everything we do 3

One of the key themes of the Group's strategy is to be an active force for good in everything we do. This requires purposefully creating intergenerational value, actively managing planetary boundaries, contributing meaningfully to the societies in which we operate and being committed to the highest standards of governance and ethics. Our strategy requires us to speak up publicly and be an active, positive influence in the world.

Strategy and performance

Our Board's objectives and critical success factors are clearly defined.

Governance objectives

Corporate strategy — Full achievement

The Board was provided with the new operating model in May 2022, followed by the announcement of key changes to the Group ExCo and the embedment of the operating model at the end of August 2022. An ARO portfolio review was undertaken to provide the Board with a detailed market, competitor and operating model perspective in June 2022. A significant strategy update was presented to the Boards in October 2022 covering all the five new business units. Furthermore, the integrated plan was presented at the November meeting. The Board approved both. There is a strong level of alignment between the Board's oversight and the financial performance outcomes in the 2022 year; and as between the Board and the ExCo regarding the strategy and direction of the Group.

2023 focus areas

Oversee the execution of the approved short-term plan for 2023 and the medium-term plan, within the framework of the control environment while considering the uncertainties within the macro environment.

A digitally powered business — Substantive achievement

Quarterly updates were received on the technology estate, specifically converged security, technology and information risks; business technology performance; technology risks (including people and third-party); strategic initiatives and progress for technology, data, security and digital; risks and controls, finance and combined assurance. In addition, a cyber simulation training exercise was performed. Access control and privileged access remain areas of focus. However, these areas are substantially monitored by the Information Technology Committee.

2023 focus areas

Oversee the technology and digital journey of the Group to ensure the consistent provision of services, a safe and secure environment (focusing on information and data protection, and cyber), an optimised and sustainable customer experience (recognising different needs for our diverse customers) and sustainable benefits realisation, within the context of an accelerated pace of change; and review the architecture of the Group in the context of the Strategy and the related requirements of the Business.

Protecting value through sound governance continued

A winning, talented and diverse team

Substantive achievement

An overview of the 2022 to 2024 people and culture strategy was presented, aligned with the key themes of the re-anchored Group strategy. People measures on the 2022 scorecard were expanded including the existing employee experience index and new skills-related, retention and diversity measures. In addition, detailed reports on various topics and the risks under people and culture were provided. Focus areas included: people and culture strategy; transformation, diversity and inclusion; MyContribution (performance management) 2021 outcomes and 2022 approach; 2021 colleague experience results; fair pay implementation; mobility of talent across the continent; new hires (black management) turnover; and strategy to acquire and retain critical skills. Initial work on the critical skills necessary for strategic objectives has commenced. Significant work was presented to and approved by the Remuneration Committee regarding to the Remuneration Framework, and pay review process, including expanding the key talent long-term incentive plan considering comparative analysis and the retention imperatives; introducing more vertical balance in the STI pool; monitoring the race and gender split for all long-term incentive, short-term incentive and fixed remuneration awards. Much work was also done analysing benefits and pay practices in our ARO markets. More work is required regarding these elements, particularly the fair pay analysis, retention of scarce and critical skills, and succession planning. Notably, the new ExCo was announced at the end of June 2022, with permanent appointments to all vacant executive roles effective 1 January 2023. Pleasantly, the race and gender balance of the ExCo has also improved.

2023 focus areas

Monitor and assess the Group's progress regarding:
- Diversity and inclusion in all our geographies
- Customer centricity
- Our values and ethical practices
- The continued culture transformation journey
- Talent strategy
- Performance and reward.

An active force for good in everything we do

Substantive achievement

Updates on various topics were provided, including sustainability risk; ESG ratings; progress made in implementing the UN Principles for Responsible Banking; the Sustainable Development Goals; our climate targets; standards pertaining to extractive industries; and the Absa Anti-Bribery and Anti-Corruption Policy and related standards. The establishment of the Absa Africa Foundation Advisory Board as a subcommittee of the Social, Sustainability and Ethics Committee (SSEC) was approved, with meetings held in the second half of 2022. Oversight was provided regarding the Group's ambition to be an active force for good following the floods in KwaZulu-Natal and the related insurance and other claims. Despite progress on sustainability and significant reporting in this area, there is still work to be done in the citizenship, stakeholder and brand areas. A citizenship investment update was provided, including evaluations measuring the impact of Absa's education and skills development spending between 2017 and 2021. However, the restructuring of the team and the change in leadership in this period has led to a delay in delivering certain reports to the SSEC. The SSEC envisage that our investment in implementing our renewed operating model, specifically in appointing a Group Chief Marketing and Corporate Affairs Officer will re-establish focus on brand and reputation management and stakeholder engagement.

2023 focus areas

Monitor the Group's role regarding ESG matters, focusing on:
- Inclusive finance
- Climate/environmental sustainability
- A just society
- The Group's contribution to a just transition
- Education and skills development.

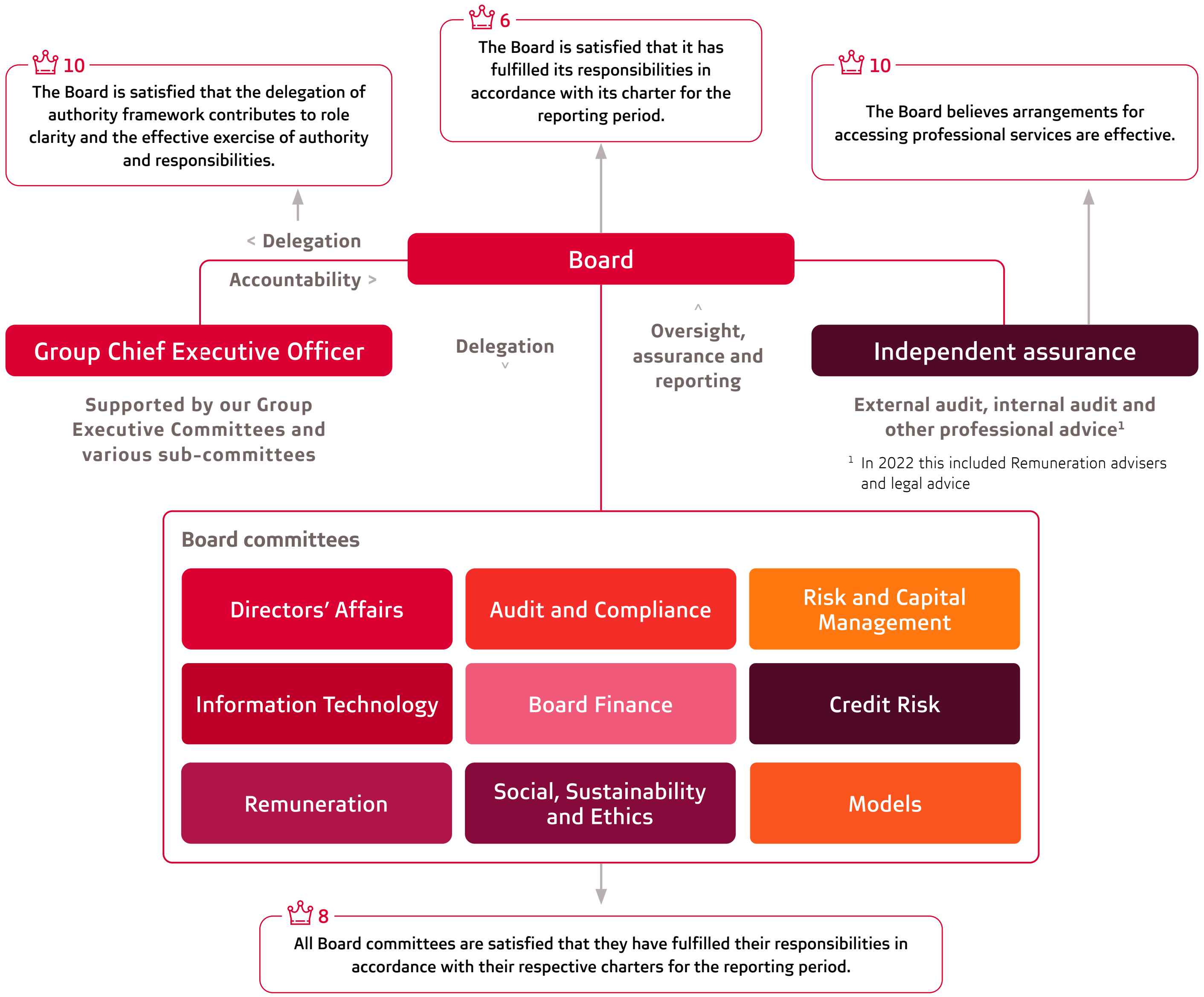
We will embed the related activities to contribute more broadly to shaping Africa's growth and sustainability.

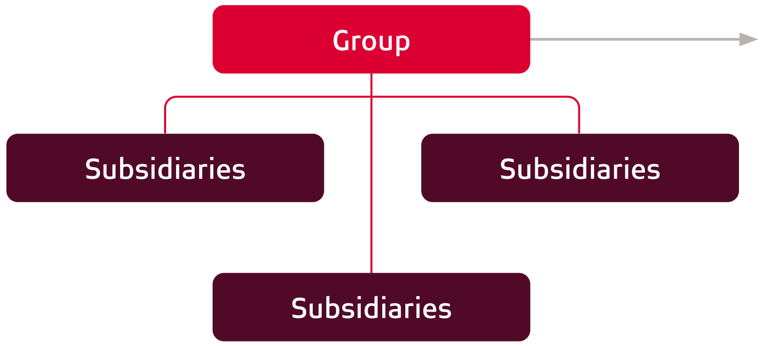
Full achievement | Substantive achievement | Modest achievement | Limited achievement

4

Board objectives reflect the most critical governance focus areas for the year and are directly linked to the strategic ambitions of the Group.

Structure and delegation





Our Group Governance Framework systematises the application of policies and standards. It ensures that the Group's minimum requirements in governance, internal controls, financial management, disclosure controls, risk management, legal and regulatory compliance, internal audit, ethics, human resource management, information management, stakeholder relationships and sustainability are complied with by all the Absa Group entities. The framework clarifies the roles and responsibilities of the Group and subsidiaries and the management of discretionary limits across the Group. Among others it also provides guidance regarding the appointment of directors (in terms of fitness, process and proprietary), the determination of independence and the management of conflicts.

Our leadership, organisational structures, cross-functional collaboration and decision-making processes support our Board and management team in executing our strategy and delivering our strategic objectives. Our governance structures and processes support the decision-making which enables us to navigate the necessary trade-offs between the capitals.

Protecting value through sound governance continued

Our Board as at 23 March 2023

Independent directors

Biographies can be found at www.absa.africa

Sello Moloko 57
Chairman
BSc (Hons), PCGE, AMP
One year and three months

Nonhlanhla Mjoli-Mncube 64
Lead Independent Director[1]
PgCert (Engineering Business Management), Fellowship in Urban Development, Masters in Regional and Urban Planning
Two years and four months

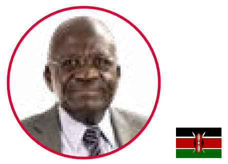
Alex Darko 70
MSc (Management Information Systems), FCCA
Eight years and six months

Swithin Munyantwali 60
BSc, LLD, LLM
Three years and six months

Ihron Rensburg 63
BPharm, MA (Political and Organisational Sociology), LLD (Hons Causa), PhD (International Development Education)
Three years and six months

John Cummins 61
MBA, BA (Hons)
One year and four months

Rose Keanly 64
BCom (Hons), BSc
Three years and six months



Francis Okomo-Okello 73
LLB (Hons), Dip (Law), Certified Public Secretary
Eight years and six months

Tasneem Abdool-Samad 49
BCom, CA(SA)
Five years and two months

René van Wyk 66
BCom, BCompt (Hons), CA(SA)
Two years and six months

Daisy Naidoo 50
BCom, CA(SA), MAcc (Tax)
Six years and nine months

Non-executive director

Fulvio Tonelli 63
BCom (Hons); CA(SA)
Two years and seven months

Executive directors

Arrie Rautenbach 58
Chief Executive Officer
BAcc (Hons), CA(SA)
One year

Jason Quinn 48
Group Financial Director
BAcc (Hons), CA(SA)
Six years and six months

Changes since the 36th AGM

Additions
- None

Status change
- None

Stepped down
- None

Changes scheduled for the 37th AGM

For election
- None

For re-election
- Alex Darko
- Francis Okomo-Okello
- Jason Quinn
- Nonhlanhla Mjoli-Mncube
- Tasneem Abdool-Samad

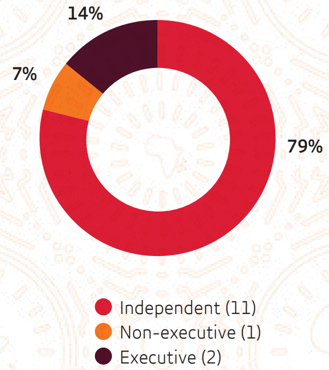
Retiring
- None

The Board supports the candidate's election or re-election.

7
The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

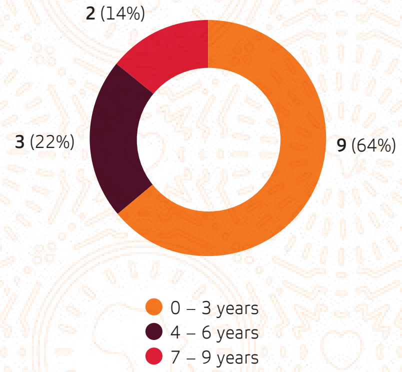
[1] Appointed as Lead Independent Director on 8 February 2022.

Independence



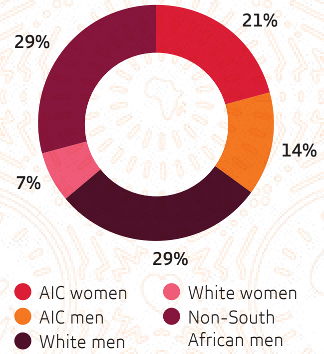
79% independent

Tenure



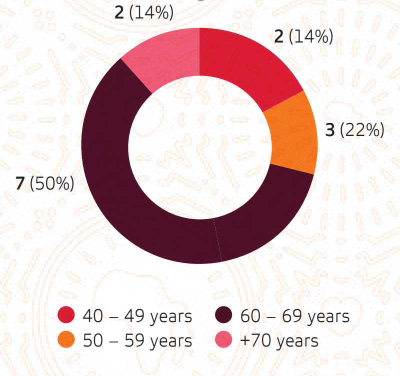
Average tenure 4 years

Race and gender representation



29% women (target 30%), 36% AIC (target 40%)

Age



Average age 61 years

Number of Board and committee meetings	Board and committee attendance
97	98%
2021: 105	2021: 99%

We have a diverse Board, ranging broadly in age, race, gender, ethnicity, country of origin, culture, educational background, skills, experience and knowledge. This provides a fertile environment for discussion, debate, input, challenge and thoughtful outcomes. The Board is committed to ensuring that we meet our governance, social and regulatory obligations regarding race and gender diversity, taking into consideration the environments and geographies in which we operate. As an African financial services group, the Board also recognises the benefits of having members who are from countries outside South Africa. We regularly review our race and gender targets. Other diversity measures, including skills, educational qualifications and age, will continue to be tracked and reported.

Board performance evaluations

9
The Board is satisfied that the evaluation process is improving its performance and effectiveness.

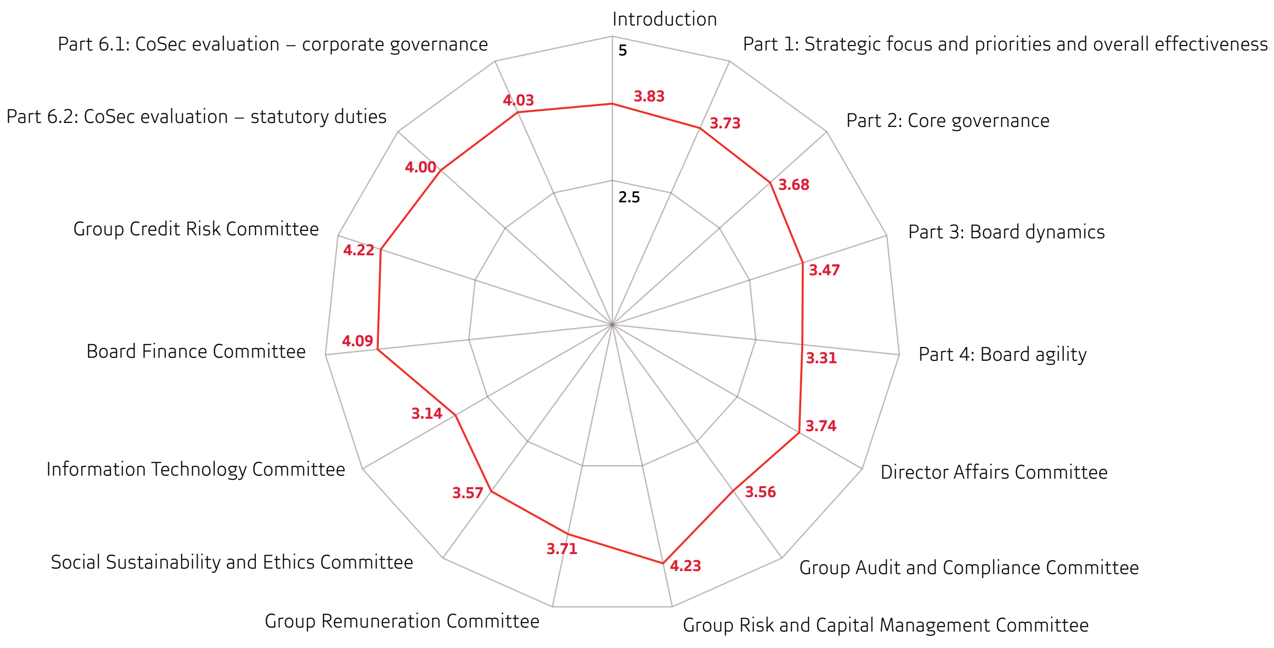
The Group conducts an annual effectiveness review in order to evaluate the performance and effectiveness of the Board, its committees and individual directors, including the Chairman, in line with section 64(B)(b)(iv) of the Bank's Act, 1990. The performance evaluation process may differ in methodology from year to year, but normally takes the form of a detailed questionnaire, supplemented by individual interviews with each of the directors. The Board itself will also appraise the extent to which the board committees have delivered on their mandate and supported the Board in so doing. The evaluations may be independently facilitated, and the 2022 evaluation was conducted by The Board Practice. It was noted that the Board had dealt with some extremely challenging circumstances and had managed to navigate these complex issues successfully.

One indicator of the Board's effective functioning is Absa's recent strong financial performance. This was described as (i) an effective Board with independent behaviour and different perspectives, committed, prepared and with strong skills; (ii) discussions are frank, robust, candid and open; (iii) the Board is focused, democratic, asks thoughtful questions, applies its mind and is focused on the health and success of Absa; (iv) the Board has a strong focus and adherence to proper governance and ethics; (v) the Board is diverse with good balance regarding background, culture and demographics; there is tolerance for different views; (vi) the balance between being supportive versus challenging with respect to management is healthy; (vii) the Board has been stress-tested through a series of challenges, such as the pandemic and operating in a disrupted industry.

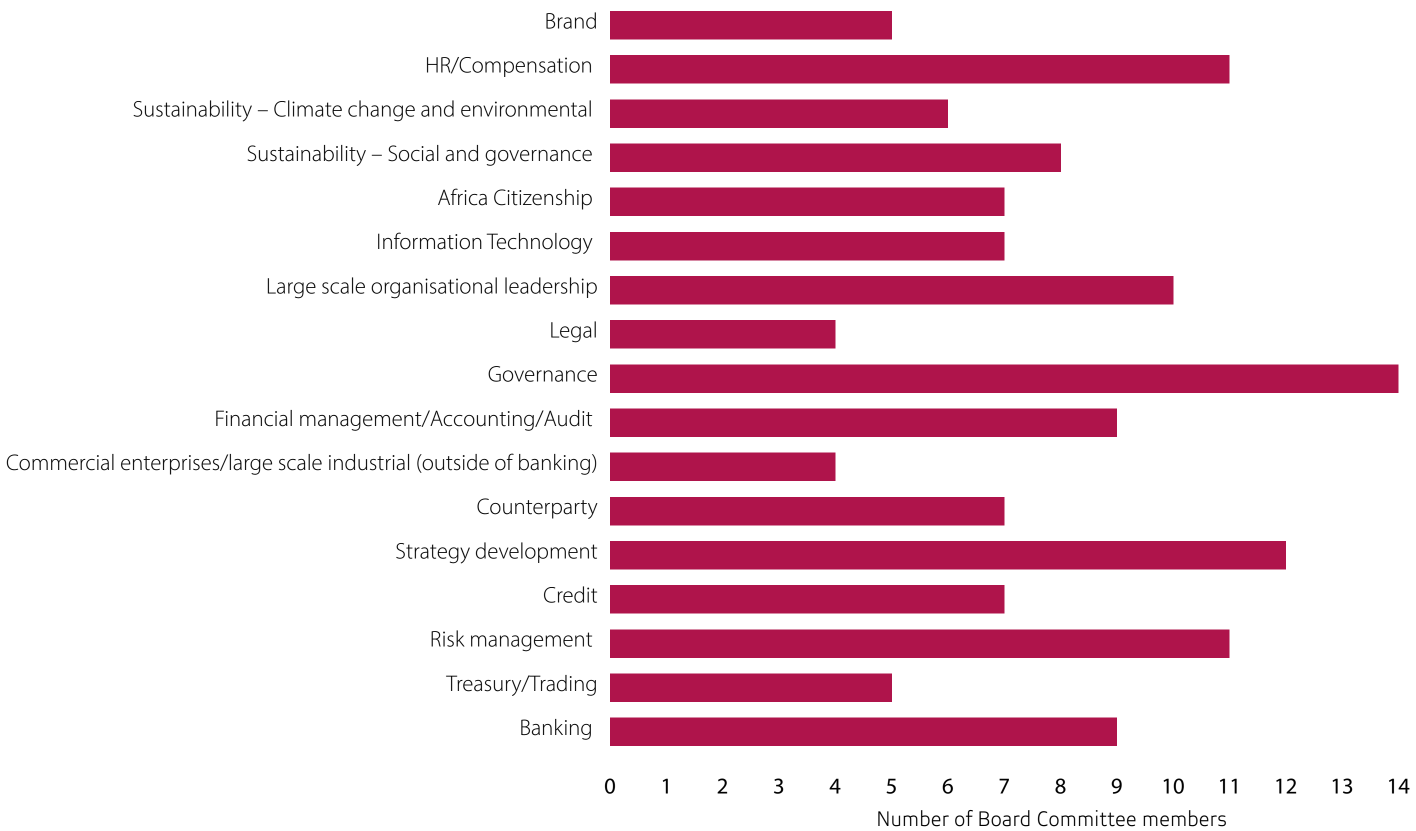
Protecting value through sound governance continued

The Board and all of its Committees confirmed that they had the right skills and expertise to fulfil their respective mandates. The Board and its Committees consistently achieved higher than average (2.5 out of 5) scores in their evaluation (refer graph below).

Summary: Average scores per theme



Board skills



Our Executive Committee as at 23 March 2023

Biographies can be found at www.absa.africa

Arrie Rautenbach 58
Group Chief Executive Officer
ExCo: Seven years
Absa: Twenty-six years

Jason Quinn 48
Group Financial Director
Chair: Models Committee
ExCo: Six years
Absa: Fifteen years

Charles Russon 56
Chief Executive: Corporate and Investment Bank, PO
ExCo: Eight years
Absa: Sixteen years

Punki Modise 53
Group Chief Strategy and Sustainability Officer
ExCo: Two years
Absa: Fifteen years

Cowyk Fox 49
Chief Executive: Everyday Banking, PO
ExCo: Seven months
Absa: Seventeen years

Geoffrey Lee 53
Chief Executive: Product Solutions Cluster, PO
ExCo: Seven months
Absa: Fifteen years

Faisal Mkhize 50
Chief Executive: Relationship Banking, PO
ExCo: Seven months
Absa: Twenty-six years

Saviour Chibiya 51
Chief Executive: Absa Regional Operations, PO
ExCo: One year
Absa: Twelve years

Deon Raju 45
Group Chief Risk Officer
ExCo: Two years
Absa: Twenty-four years

Akash Singh 49
Group Chief Compliance Officer
ExCo: Three years
Absa: Nineteen years

Jeanett Modise 60
Group Chief People Officer
ExCo: Two months
Absa: Two months

Johnson Idesoh 52
Group Chief Information and Technology Officer
ExCo: Two months
Absa: Two months

Prabashni Naidoo 47
Group Chief Internal Auditor[2]
Ex-officio
Absa: Two years

Sydney Mbhele 49
Group Chief Brand, Marketing and Corporate Affairs Officer
ExCo: Two months
Absa: Two months

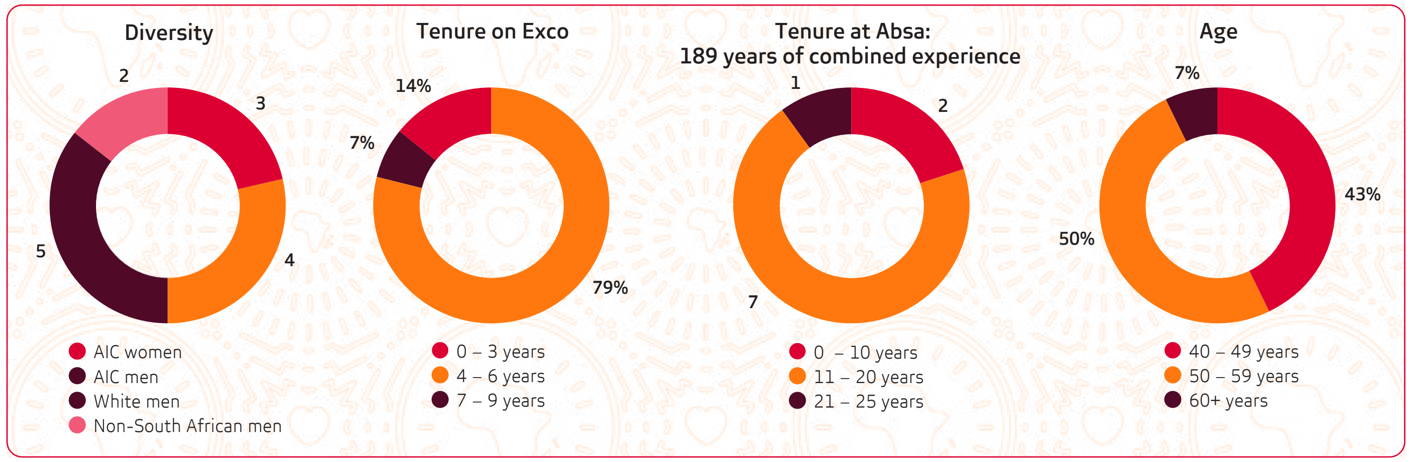
Changes during the year

Appointed
- Cowyk Fox
- Geoffrey Lee
- Faisal Mkhize
- Jeanett Modise
- Johnson Idesoh
- Sydney Mbhele

Resigned
- None

Stepped down from interim executive roles
- Thabo Mashaba
- Wilhelm Krige

PO Prescribed Officer



Protecting value through sound governance continued

Our leadership commitments

We will do our best, for what is best for Absa and all our stakeholders
- We are proud to be Absa and we will tell our story
- We are ignited and honored to guide Absa as stewards
- We want to win together as One Absa, selfless
- We will proactively forge a new path, and think long term.

We will lead with integrity and be accountable for our actions
- We will lead with honesty, fairness and care
- We will talk straight, facing up to difficulties [confident, not arrogant]
- We will provide constructive feedback
- We have the courage to stand up for what we believe in.

We will embrace diversity
- We build and promote diverse, winning teams
- We will crowd in the creative energy of diverse thoughts to solve problems
- We will empower others to lead
- We will lead in a way that everyone belongs
- We will inspire through our presence.

We will pursue impactful excellence
- We will deliver sustainable and material positive outcomes for us, for society
- We are bold, we will take on competition and pursue outperformance
- We will lead in a client-centric way across the continent.

We will listen and learn
- We listen to clients, colleagues and to stakeholders
- We listen to understand, not to respond
- We sign up to our teams' ideas
- When we make mistakes, we are nimble learners
- We also show up as team members, not only as team leaders.

Board Committee focus areas

The Board is satisfied that its committees have fulfilled their responsibilities in accordance with their terms of reference for the reporting period and that the members of the committees have the requisite skills to comply with the mandate of such committees.

Directors' Affairs Committee

Sello Moloko
Committee Chair

2022 focus areas and material decisions

Key matters included:
- Reputation risk matters (Group reputation risk rating, key reputation matters and social media monitoring)
- Regulatory relations (top-of-mind matters, fines and penalties, and regulatory commitments and relationships)
- Board composition, diversity and succession planning (including the ARO boards), which included setting and monitoring the targets set by the Board
- Executive leadership (Group Chief Executive Officer appointment and transition, including executive appointments, succession planning and operating model)
- Evaluation regarding the effectiveness of the Board and its committees (outcomes were presented, with actions introduced, where relevant)
- Update of the Board policies and Group Governance Framework
- Board governance objectives (approved objectives and monitored the work performed)
- ARO Boards – composition and nominees.

2023 focus areas

Areas for focus in the year ahead include:
- Board composition (to achieve optimal composition in terms of the number of members, respective skillsets, race, gender and geography) and succession planning
- Executive management succession planning
- Board governance objectives (approve objectives and monitor the work performed)
- Reputation risk matters
- Regulatory relations
- ARO board composition.

Group Audit and Compliance Committee

Tasneem Abdool-Samad
Committee Chair

2022 focus areas and material decisions

Key matters included:
- Control environment and management control approach, including a deep dive into Access Control
- Expected credit losses and macroeconomic variables
- Assurance capability and focus
- Statutory responsibilities, including annual and interim financial reporting and regulatory disclosures
- Deep dives on ARO subsidiaries (NBC Tanzania and Absa Bank Botswana).

2023 focus areas

Areas for focus in the year ahead include:
- Maintaining a sustainable satisfactory outcome in the Controls Environment, including continued oversight on the lines on defence and the combined assurance providers
- Impairment of loans and advances at amortised cost (IFRS 9)
- Valuation of financial instruments held at fair value
- IT access controls
- Relationship Banking Know Your Customer compliance
- Anti-Money Laundering/Countering the Financing of Terrorism requirements.

The following matters are discussed in the GACC's report included in the *annual financial statements*:
- The committee's view on the effectiveness of the Finance Director and the finance function
- The committee's opinion on the effectiveness of the Chief Internal Auditor and the arrangements for internal audit
- Significant matters the GACC has considered concerning the annual financial statements and how the committee addressed these.

Group Risk and Capital Management Committee

René van Wyk
Committee Chair

2022 focus areas and material decisions

Key matters included:
- Liquidity simulation (with the participation of Group ExCo), monitored by the Prudential Authority
- Capital adequacy, liquidity and funding
- Risk appetite and principal risk profiles
- Deep dives into market risk and consumer stress
- Impact assessment on risk data aggregation and risk reporting (RDARR) compliance
- Updates on regulatory reforms, including interest rate benchmark reforms, depositor insurance scheme
- Internal capital adequacy assessment process (ICAAP)
- Internal liquidity adequacy assessment process (ILAAP)
- Revised Enterprise Risk Management Framework, including Principal Risk Taxonomy
- The macroeconomic environment, including economic recovery, headwinds and volatility, and customer stress to assess possible impacts on the Group's risk appetite
- Processes for screening sensitive and ESG financing transactions.

2023 focus areas

Areas for focus in the year ahead include:
- The macroeconomic environment, including economic recovery, headwinds, volatility, risks and opportunities
- Regulatory developments (a) as part of the Basel III finalisation, appropriate courses of action to manage cost and capital impact, and ensure regulatory compliance and (b) appropriate risk processes to respond to the direct and indirect impacts of climate change
- Capital, liquidity and funding management across the Group, particularly in light of the sovereign debt crisis in Ghana.

Protecting value through sound governance continued

Remuneration Committee

Rose Keanly
Committee Chair

2022 focus areas and material decisions

No Remuneration Policy changes were made in 2022.

Key implementation enhancements in 2022 include:

- Extending participation in our long-term incentive arrangements, to increase coverage for scarce and critical skills and to align with the market practice of peers
- A further market adjustment, informed by market benchmarking, of our on-target short-term incentive pool
- Taking additional steps in fair and responsible pay predominantly in respect of fixed remuneration increases and short-term incentive allocation for more junior employees, as well as addressing pay differentials
- Overseeing the remuneration implications of the changes in the Group's operating model.

2023 focus areas

Areas for focus in the year include:

- Attracting and retaining top talent, scarce and critical skills, and mitigating the impact of macro issues on talent movement (including emigration) and availability, as an underpin to our Pan-African strategic ambition
- Fair and responsible remuneration in the context of the Group's ESG strategy, including ensuring appropriate responses to emerging regulatory and best-practice disclosure requirements covering broader ESG and specific remuneration matters
- Consideration of the evolution of the organisational health metrics in the short-term and long-term incentives
- Ongoing evaluation of the impact of our evolving remuneration frameworks and their outcomes ensures that they remain locally relevant and competitive, and effectively balance stakeholder interests.

Social, Sustainability and Ethics Committee

Francis Okomo-Okello
Committee Chair

2022 focus areas and material decisions

Key matters included:

- People, culture, B-BBEE, ESG, and the Group's role in society
- Sustainability Risk Framework and Sustainability Risk Policy, the Absa Way Code of Ethics Policy, and the Conduct Risk Management Framework were approved
- Existing standards were monitored and approval of new standards were approved concerning extractive and other environmentally sensitive industries
- The final Sustainable Development Goals prioritisation and target setting were approved
- Customer measurement indexes and metrics were approved
- Organisational health metrics for the long-term incentive (for 2022-2024) and the short-term incentive for 2022 were approved; the attainment of prior incentive schemes was reviewed.

2023 focus areas

Areas for focus in the year ahead include:

- Progress concerning people, culture and labour/ employment matters
- Progress in all elements of the B-BBEE transformation scorecard
- Customer health and engagement in accordance with the Conduct Standard for Banks to ensure the fair treatment of our customers
- The integration of the ESG strategy within the Group; the development of the various climate-related standards; and substantial and tangible results towards the Group's active force for good strategy
- Execution activities that enable the Group to lead with purpose and play a meaningful role in our customers' journeys, embedding and integrating the Group's active force for good strategy
- Absa Africa Advisory Board activities concerning its citizenship and ESG activities.

Information Technology Committee

Alex Darko
Committee Chair

2022 focus areas and material decisions

Key matters included:

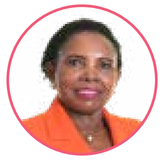
- Maintaining stability, while continuously evolving our architecture and data as a strategic asset
- Attraction and retention of critical technology skills
- Remediation of the control environment (cybersecurity, ransomware, administrative privileges and cloud security)
- Remediation of access control capability across the estate, third-party-related risks and high residual risk in the cyber environment
- Refreshing the Group's technology and platforms.

2023 focus areas

Areas for focus in the year ahead include:

- Technology enhancement of the known high-risk technology issues in the estate, specifically as they relate to the unsupported infrastructure, network, applications and estate-wide issues
- Continuously evolving technology in line with changing customer needs and behaviours – being ahead of the curve regarding new technologies
- Introduction to artificial intelligence and reinforcement learning
- Continuous intensive effort and investment to secure the bank and ensure a safe control environment
- Digital literacy and digital skills and related programmes to improve access to talent in key areas
- Critical analysis of the Group's technology architecture.

Board Finance Committee



Nonhlanhla Mjoli-Mncube
Committee Chair

2022 focus areas and material decisions

Key matters included:

- Consideration of the commercial opportunities of a Chinese corridor
- The long-term incentive plan (2021–2023) and short-term incentive pool (2022) scorecards (metrics, weightings and targets)
- The Group's medium-term plan for 2023 to 2025
- The various facets of the B-BBEE ownership scheme and the impact on the Group, its employees, communities, and shareholders were considered
- Financial results for the year ended 31 December 2021 and related dividend and SENS announcements were approved
- Updates were received on:
  - The Absa Investment Management transaction with Sanlam, effective 1 December 2022
  - The Ghana sovereign debt exchange programme.

2023 focus areas

Areas for focus in the year ahead include:

- Governance oversight as required by the deal flow
- Finalisation of the Group's B-BBEE ownership scheme
- Ghana sovereign debt implications on Absa entities and instruments.

Protecting value through sound governance continued

Group Credit Risk Committee

René van Wyk
Committee Chair

2022 focus areas and material decisions

Key matters included:
- Material limit increases in 2022 for several significant single-name exposures were approved
- The overall portfolio health of the lending book, the related loan loss ratios, vintages and related matters were considered
- Deep dives were conducted on higher risk sectors (including CPF, VAF and the Agri-sector), considering the macroeconomic environment, resultant consumer stress, and the impact of climate and weather on certain regions
- The Group's exposures to renewable financing and to the Oil and Gas sectors were reviewed
- Country and sovereign risk exposures.

2023 focus areas

Areas for focus in the year ahead include:
- The Group's loans and advances growth in the context of concentration risks and exposures, in particular to the higher risk sectors of the economies that we lend to.
- Country and sovereign risk, in light of the recent sovereign debt crisis in Ghana, the lessons learnt and the risk management practices to be put in place to best manage the Group's exposures
- Monitoring the sectors affecting our ESG ambitions and targets regarding gross loans, losses, returns, and emissions management.

Models Committee

Jason Quin
Committee Chair

2022 focus areas and material decisions

Key matters included:
- The Group's material models were reviewed, as required by the Prudential Authority (PA) (nine regulatory models submitted and four approvals received from the PA in 2022)
- Material risk models were approved, both on a periodic and an inception basis, in accordance with the model validation standard, the Group model risk policy, PA and other applicable regulatory requirements (e.g., Basel), as amended from time to time
- The secured Retail Basel models suite was approved (VAF and Home Loans), which supported a new definition of default to align with industry practice.

2023 focus areas

Areas for focus in the year ahead include:
- Annual validation of material models in the scope of the committee, including regulatory, credit and impairment models
- Approval of methodologies related to post model adjustments as applied to material models
- Ongoing approval of the model risk framework and model risk appetite
- Capacity and experience of resources of the model risk management functions.

Governance functional areas

Risk and opportunity 11

A *risk management overview* is provided in the material matter section of this report, detailing how risk is governed and managed, the risk appetite and tolerances of the Group. The *Pillar 3 Risk Management Report* provides detailed supplementary information on the Group's Enterprise Risk Management Framework (ERMF) and 2022 performance. Risk is managed through our Board-approved ERMF and rigorous monitoring and reporting as to the effectiveness of risk management through several Board committees, including the Group Risk and Capital Management Committee, Group Audit and Compliance Committee, Group Credit Risk Committee, Social, Sustainability and Ethics Committee, Information Technology Committee, and Models Committee.

Information technology 12

Information and technology, and specifically driving innovation, are central to our competitiveness, growth, and sustainability. Through the re-anchoring of the Group strategy, one of the five strategic themes identified was creating a digitally powered business. The Information Technology Committee assist the Board with effective oversight and governance of Absa's information assets and the technology infrastructure used to generate, process and store that information. The focus is on resilience and stability; architecture; data management; security (cyber and other), and digitisation.

In 2022, Absa Bank Mauritius was awarded Data Protection Certification by the Mauritius Data Protection Commissioner, making them the first bank to receive such an accolade and comes in recognition of the strides made to embed a data privacy culture of the highest standard, in compliance, with the Mauritius Data Protection Act.

Compliance 13

The primary mandate of the Compliance function is to assist with, enable, facilitate and monitor the effective management of compliance risk within the organisation by:
- Establishing and maintaining a compliance culture, through the provision of independent and objective advice and guidance on regulatory and compliance risk related matters
- Nurturing working relationships with relevant regulators
- Providing businesses and functions with insight and independent challenge concerning compliance risk management and reporting to the Board, relevant committees, executive management and regulators, as required.

The Board understands and takes its responsibility for the oversight and maintenance of a culture of compliance and ethical conduct seriously, which goes beyond regulatory compliance. The Board holds management responsible for ensuring a culture of compliance across the organisation. This is enabled through existing structures, policies and processes. ERMF, Compliance Charter, Absa Way Code of Ethics, and management control approach influence the type of culture set by the Group Board which promotes openness, transparency, diversity, opportunity, pay for performance, compliance, and risk management.

Absa has a Group-wide **Risk Management and Compliance Programme (RMCP),** per the South African Financial Intelligence Centre Act (as amended), providing the strategic direction pursued by the Group towards achieving our objectives regarding financial crime risk management and compliance. The RMCP covers financial crime holistically and is underpinned by the Group Anti-Money Laundering Policy, Group Sanctions Policy and Group Anti-Bribery and Anti-Corruption Policy and associated standards. We align our policies and standards with local regulatory requirements and international best practice standards. Our training and awareness programmes ensure our employees are aware of the social and environmental impact of financial crime and their responsibilities in fighting financial crime.

We continue to proactively identify trends and threats and develop commensurate typologies to ensure that the RMCP and underlying policies and standards remain relevant. To strengthen the collective efforts to fight financial crime and to remain effective in our fight against financial crime, we actively collaborate with private and public sector bodies, both locally and globally. Moreover, we play a prominent role in proactively providing input on new legislation and changes to current legislation to ensure we contribute positively towards effectively fighting financial crime. 99.4% of our employees received anti-bribery and anti-corruption awareness training.

C-Zone is our digital compliance monitoring system, consolidating all employee-related compliance activities (including share trading, gifts and entertainment, and identifying conflicts of interest), ensuring efficient and confidential submission of required disclosures, thereby improving internal controls. **Whistleblowing** is a safe platform for employees to raise concerns confidentially and anonymously regarding unethical behaviour and/or fraud. The **Suspicious Transaction Reporting platform** requires all employees (directors, permanent and temporary employees on all levels) who know or suspect that a transaction or activity is linked to money laundering terror financing, or targeted financial sanctions to report that transaction and/or activity within two business days.

Our **Ethics and Priority Whistleblowing and Investigations** teams are dedicated to embedding the Group's policies through regular communication and training. They also monitor compliance and investigate matters of a more serious nature.

The Compliance Monitoring and Testing team, responsible for assurance over adherence to regulatory obligations was awarded a Financial Services Industry Award from the Institute of Risk Management South Africa. The award is in recognition of the outstanding contribution to elevating risk management.

Protecting value through sound governance continued

Remuneration

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The RemCo is of the view that the remuneration policy achieved its stated objectives

The Remuneration Committee (RemCo) sets, and oversees the implementation, of the Group's Remuneration Policy principles to deliver fair and responsible pay aligned with current and emerging market practice, to meet regulatory and corporate governance requirements and to align the behaviour of executives with the strategic direction of the Group. It approves the total remuneration spend, including fixed remuneration, and short- and long-term incentives, and oversees other remuneration arrangements, and the particulars of a defined senior population. It also considers and approves the Group's remuneration disclosure policies and ensures that disclosures are accessible, understandable, accurate, complete and transparent; and that the Group remunerates fairly and responsibly.

Our *Remuneration Report* sets out the Chairman's background statement, Remuneration Policy and Implementation Report.

Assurance 15

The Group Audit and Compliance Committee is accountable for the Group's annual financial statements, accounting policies and reports; and overseeing the quality and integrity of the Group's integrated reporting. It is the primary forum for engagement with internal and external audit and operational risk. The committee monitors the Group's internal control and compliance environment. The committee recommends the appointment of external auditors to the Board and shareholders.

The Group's internal financial controls (IFCs) are defined on the basis of the operational and resilience framework and the financial reporting risk policies and standards which are aligned to IFRS, statutory and regulatory reporting and JSE Listings Requirements, respectively. The Group's IFCs remain robust and are monitored through effective governance processes where all exposures which could result in material financial loss, fraud, corruption or errors within the IFCs are tabled with supporting mitigation plans. These IFCs are subject to regular independent review across the three lines of defence annually.

The basis of presentation and presentation describes the *process and assurance approach* to ensure integrity over external reports in the Absa Group suite of reports.

A formalised and robust combined assurance reporting process has been implemented across the three lines of defence and a SharePoint tool will be implemented in 2023 for better visibility and planning across the three lines of defence.

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Refer to the GACC report in the *Group Consolidated Annual Financial Statements* where the Committees views are disclosed in more detail.

The GACC is satisfied of the independence of the external auditor, specifically:

- The policy and controls over provision of non-audit services
- The tenure of the external auditor
- Rotation of external audit partners.

The GACC is of the view that the following functions and activities are effective:

- Design and implementation of financial controls
- The finance function as lead by the Group Financial Director
- The internal audit function as lead by the Chief internal Auditor

Stakeholder relationships 16

Stakeholder engagement is a critical value-creating process and of critical importance in enhancing the growth ambitions of the Group. The Social, Sustainability and Ethics Committee monitors key organisational health indicators relating to social and economic development; responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation; as well as the Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment. It applies the principles, recommended practices and regulations as outlined in King IV and the Companies Act in executing its mandate. Our Group Stakeholder Engagement Policy requires frequent stakeholder engagement to shape strategic thinking and enhance decision-making processes. Absa therefore regards all its material stakeholders as essential partners, and seeks to effectively identify, understand and manage stakeholder relationships to enhance business sustainability, reduce risk and ensure the successful implementation of Group strategy. *Our stakeholders' needs and expectations* are considered in determining the Group's strategic responses.

Rewarding value creation

"We are confident that our Remuneration Policy is now substantially fit for purpose and that our 2022 implementation outcomes reflect the Group's performance in the context of a difficult operating environment and the balance of stakeholder interests."

Rose Keanly
Chairman
Remuneration Committee

I am pleased to present to our shareholders, on behalf of the RemCo and the Board, our *2022 Remuneration Report*. It sets out our Remuneration Policy for 2022, reflecting the ongoing evolution of our remuneration framework, which started in 2020. It further sets out our remuneration implementation outcomes for 2022, including for executive directors and prescribed officers.

We are confident that our Remuneration Policy is now substantially fit for purpose and that our 2022 implementation outcomes reflect the Group's performance in the context of a difficult operating environment and the balance of stakeholder interests.

Operating environment

The global, regional and domestic environments remained very uncertain through 2022. COVID-19 receded as an immediate threat to the economy, though remained a key driver of the Chinese outlook, and geopolitical uncertainty rose to the fore, particularly surrounding the Russia/Ukraine conflict and rising tension between the West and China. Energy and food markets were particularly disrupted, adding to broader supply chain pressures globally and pushing inflation to multi-decade highs in many countries. Global financial conditions tightened significantly through the year, placing pressure on many categories of financial assets including emerging markets.

The South African economy faced not only this difficult external environment, but also the debilitating impact of sharply heightened electricity loadshedding, particularly as Eskom's operational difficulties deepened significantly in the later stages of the year. Economic growth is likely to have disappointed earlier forecasts as a result, while consumer price inflation rose faster than expected and breached the central bank's 6% upper target early in the year, largely due to sharply higher food and fuel prices. The SA Reserve Bank responded with 350 bps in interest rate increases from November 2021 through November 2022.

There is considerable economic and geographic diversity across the Group's Absa Regional Operations (ARO) presence countries. On a GDP-weighted basis, Absa projects real gross domestic product (GDP) growth of 4.4% for ARO in 2022. Inflation surprised to the high side in most ARO markets during 2022, pushed up by the same fuel and food price pressures as are evident globally. Higher inflation, tighter global financing conditions and higher country risk premia in some ARO countries, resulted in increased policy rates in most of Absa's presence countries. These headwinds to economic growth further complicate efforts to reduce fiscal deficits and improve debt sustainability, and a number of ARO countries are engaging with the International Monetary Fund for financial support. Zambia continues to work through its sovereign debt default, while in the second half Ghana indicated that it would seek to restructure much of its domestic public debt.

Normalised Group performance overview

Performance is a critical lens through which remuneration outcomes are assessed. Salient features of our results (with prior year results in parentheses) include:

- **The Group recorded its highest ever normalised headline earnings of R21 billion** (2021: R18.6 billion), reflecting an increase of 13%, or 8% in constant currency (CCY). This is underpinned by strong income-led pre-provision profit growth of 25% (26% CCY), partially offset by 61% (CCY 82%) higher impairments. Strong medium-term performance momentum has seen earnings increase well above pre-COVID levels (c.29% above 2019 results).
- **Return on equity of 16.6%** (2021: 15.8%) has improved materially from the prior year and is well above cost of equity (14.5%) with most business units improving returns year-on-year.
- **The cost-to-income ratio reduced materially to 51.5%** (2021: 55.2%) which is now in line with the medium-term ambition (low 50s). This reflects strong positive JAWS of 8% following very strong income growth of 15% relative to contained operating expenses growth of 7%.
- **Income growth was driven by growth in both non-interest income and net interest income.** Non-interest income growth (18%) was underpinned by strong growth in fees and commission (7%), trading income (9%; 11% CCY) and further supported by a recovery of the Insurance business and profit on sale of the investment management business. Net interest income growth (13%) has been supported by higher interest rates, an expanding net interest margin of 4.56% (2021: 4.46%) and strong growth in loans.

Rewarding value creation continued

The Group remains well positioned for growth and resiliency with its capital position remaining above the Board-approved target range and the Common Equity Tier 1 (CET 1) ratio unchanged at 12.8%. The Group loan coverage ratio of 3.93% remains robust and well above the pre-COVID position (2019: 3.27%) notwithstanding the utilisation of a portion of the provisions recognised during 2020.

Impairment charges increased significantly to R13.7 billion, following R2.7 billion in coverage raised against Ghana sovereign-related exposures and increased delinquencies in the South African retail portfolios. The credit loss ratio on loans and advances of 0.96% (2021: 0.77%) is now near the top end of the Group's through-the-cycle target range of 0.75% – 1.00%.

The RemCo considered the overall operating environment and financial results in determining our 2022 remuneration outcomes regarding our short-term and long-term incentives. These were assessed in terms of the respective financial performance scorecards approved for each incentive.

The RemCo considered non-financial performance in the form of organisational health, which included customer, colleague, sustainability and the control environment. Organisational health was assessed as marginally below target for the 2022 short-term incentives and between target and stretch for the 2020 long-term incentive vesting in 2023 (in respect of its 2020 to 2022 performance period).

RemCo focus areas

Our 2021 Remuneration Policy and implementation outcomes were generally well received by shareholders at our 2022 annual general meeting (AGM). The RemCo has steadfastly focused on remuneration's strategic role in enabling sustainable organisational performance and stakeholder value creation.

During 2022, the RemCo focused on the following key priority areas, which are dealt with in more detail in the Remuneration Policy and Implementation Report:

- Competitiveness of total remuneration and its composite parts in the context of the war for talent and scarce and critical skills.
- Non-financial metrics in our short-term and long-term incentive scorecards aligned with our strategy and environmental, social and governance (ESG) commitments across sustainability, climate, people and culture, transformation and customer.
- Fair and responsible remuneration is a strategic imperative within Absa's ESG strategy and the emerging discourse on remuneration-related disclosures. In this regard, we are proud to have invested over **R500 million** in improving our fair and responsible remuneration outcomes over the past two years, including both fixed remuneration adjustments in 2021 and 2022.
- Increased focus on reward and talent in the ARO environment, aligned with our Pan-African strategy, including ensuring competitive benefit design, market benchmarking improvement, and specific country-level interventions to address significant cost-of-living related pressures.
- Remuneration implications of the changes to the Group's operating model, initiated by the new Group Chief Executive and supported by the Board, as well as the composition of the executive director, prescribed officer, executive committee (ExCo) and Material Risk Taker (MRT) populations.
- Total cost of remuneration (and its component parts) and its impact on the Group's overall cost base and financial performance.

The RemCo has concluded that the Remuneration Policy approved by shareholders at the 2022 AGM remains fit for purpose, following reviews in 2020 and 2021. Accordingly, ***no Remuneration Policy changes*** were made in 2022.

We made the following **implementation enhancements** in 2022:

- Extending participation in our long-term incentive arrangements, to increase coverage for scarce and critical skills and to align with the market practice of peers;
- A further market adjustment, informed by market benchmarking, of our on-target short-term incentive pool;
- Taking additional steps in fair and responsible pay predominantly in respect of fixed remuneration increases and short-term incentive allocation for more junior employees, as well as addressing pay differentials;
- Overseeing the remuneration implications of the changes in the Group's operating model.

Evolution of our long-term incentive implementation

A total long-term incentive pool of R1 191 million (value at award) was approved for awards to be made in April 2023. A description of the value and proportion of the long-term incentive pool exposed to the Group performance targets is on page 17 of the Implementation Report.

Strategic long-term incentive awards

- Executive directors, prescribed officers and other members of the ExCo (**16** executives at 31 December 2022) remain participants in the strategic long-term incentive awards. These are subject to Group performance targets on the full award. This is consistent with previous years' and with general market practice as it pertains to senior executives. *There was, accordingly, no change in this regard.*
- Pursuant to the Group operating model change, we have **139** executives whose roles are regarded as having a strategic influence on the long-term performance of the Group, and who received awards under the strategic long-term incentive. This increased from **95** in 2022.

Key talent and critical skills long-term incentive awards

- The RemCo and shareholders approved an enhancement in 2021 to the Group's long-term incentive policy to improve market-relatedness and to support the attraction and retention of those below the most senior levels who are regarded as key talent or holders of scarce and critical skills. Awards for eligible employees are subject to Group performance targets on 50% of the award. The balance of the award is subject to time-based vesting, with an *underpinning individual minimum performance condition.*
- The RemCo approved the extension of participation in this category of long-term incentives for awards to be made in April 2023 to more eligible employees, strengthening the alignment these participants have with shareholder interests and the delivery of long-term stakeholder value. Awards will be implemented for **624** individuals regarded as talent or holders of scarce and critical skills, up from **316** in 2022.

Further detail of our long-term incentives is on pages 10 and 11 of the Remuneration Policy.

Ensuring market competitiveness of our short-term incentives

As indicated in previous Remuneration Reports, we regularly review the competitiveness of our remuneration framework against peers to ensure that our remuneration approach supports the attraction and retention of key talent, as well as our pay-for-performance principles.

During 2022, we undertook a detailed review of our short-term incentive pools to determine their competitiveness against peers, with particular reference to sharing ratios of headline earnings. As a result, the RemCo agreed on principles relating to setting our on-target short-term incentive pool by referencing headline earnings, with Group performance continuing to apply as a modifier in line with our current policy.

Determination of the 2022 short-term incentive pool

The RemCo approved a Group performance short-term incentive pool of **R3 671 million,** reflecting the Group's performance. This represents a 25% year-on-year increase due to the market-aligned increase to the on-target pool and the impact of our performance for 2022.

In considering the increase in the short-term incentive pool, the RemCo took into consideration the distribution of a greater share of the pool to our more junior population, with the net effect being a year-on-year increase (19%) in the pool allocated to employees in our more senior population at below the overall pool increase.

The pool outcome is on pages 17 to 18 of the Implementation Report.

2022 Performance short-term incentive outcome:

In approving the final short-term incentive performance pool outcome of **R3 671 million**, the RemCo considered:

- The Group's performance against the 2022 short-term incentive scorecard, which included the pre-determined financial (80% weighting) and non-financial (20% weighting) measures aligned with the Board-approved strategy and medium-term plan.
- The Group's performance relative to the market (based on the latest publicly available information).
- The quality of the Group's earnings and whether any adjustment was required based on the control environment (with inputs from the Group Audit and Compliance Committee). The quality of earnings was determined to be sound. No adjustments regarding the control environment were deemed necessary.
- An assessment by the Group Social, Sustainability and Ethics Committee of the 20% non-financial outcomes (customer, colleague and sustainability) against the agreed short-term incentive scorecard. The approved outcome was marginally below target.
- Consideration of the shareholder experience, and that the Group's relative total shareholder return has been ahead of the major banks.

Vesting outcomes for the 2020 long-term incentive award

We have not made any amendments to the performance targets of our in-flight long-term incentive awards to mitigate the effects of COVID-19 on business performance.

Our 2020 long-term incentive will vest in April 2023 at **68.5%** of the on-target award, based on the applicable Group performance targets and assessment of the outcomes relative to these. The detail is on pages 20 and 21 of the Implementation Report.

Fair and responsible remuneration

Fair and responsible remuneration remained a core focus for the Group in 2022, building on the actions taken in 2021. Specific implementation actions reflect ongoing conscious decisions to strengthen fair pay by investing in the more junior levels of the organisation and addressing pay differentials where needed. This ensures that our overall remuneration offering, including our employee benefit suite, is appropriate, sustainable and fair.

- There was deliberate growth in the share of the short-term incentive pool allocated to more junior levels of the organisation. The share of the pool has increased from **12% (R358.9 million)** of the total pool in 2021 to **15% (R549.3 million)** in 2022, an increase of **53% (R190.4 million).**
- Further, out-of-cycle remuneration increases at an annualised value of approximately **R32 million** on 1 November 2022 in South Africa to increase the fixed remuneration of those paid at the lower end of the peer range. Approximately 1 000 employees up to middle management received this increase. This is in addition to the **R290 million** allocated in 2021 to improve our fair pay position. The RemCo applied a substantial transformation and diversity lens in assessing outcomes.
- Fixed remuneration increases in our annual pay review process have, for several years, been deliberately set at higher levels for more junior employees (typically the bargaining unit) than those for more senior employees. This is again the case for increases to be awarded in the first quarter of 2023 for the coming year, with our bargaining unit staff in South Africa receiving, on average, 8% versus the rest of our employees at 6% (with the average increase applied to ExCo members below the management and senior leader average). Also, our minimum annual cost to company in South Africa will increase to R214 000 with effect from 1 April 2023. This is on page 19 of the Implementation Report.
- In ARO, detailed benchmarking of our benefits arrangements was undertaken in 2022 to ensure these are locally relevant and competitive. Where enhancements are required, these are factored into the relevant business plans to ensure sustainable implementation, with appropriate engagement with, and support from, the local boards. We have also been mindful when approving salary mandates in high-inflation environments to mitigate against the erosive effects of cost-of-living increases on the quality of life of our employees.
- The Group offers a compelling employee value proposition. These include a range of compulsory (including retirement funding, death and disability cover, and medical insurance) and optional benefits (increased retirement contributions, and gap cover). In addition, our financial products for employees responsibly assist them in meeting their broader aspirations, such as home or vehicle ownership.

- We implement initiatives beyond remuneration to support and enable employees. These are detailed earlier in this Integrated Report and include employee wellness, funding for education and development opportunities. We provide direct support to employees in instances of disaster, such as the 2022 KwaZulu-Natal flooding.

Overseeing the implications of changes in the Group's operating model

During 2022 the RemCo oversaw the remuneration implications of the new Group operating model as the Group moved from three to five commercial clusters, resulting in a reconfiguration of the ExCo and prescribed officer composition, with five prescribed officers representing the five commercial clusters. The RemCo has also had full oversight over executive and MRT remuneration changes. This is on page 20 of the Implementation Report.

We approach executive remuneration through several key lenses, including:

- Relative and absolute performance of the Group and the individual executives, underpinned by balanced scorecards.
- An appropriate mix of short-term and long-term remuneration, to ensure alignment with the creation of long-term stakeholder value.
- Appropriate consideration of the experience and tenure of executives in their roles, and for more recent appointments, to ensure that there is an appropriate runway to develop into their roles.
- As set out under *fair and responsible remuneration* above, we ensure that we do not have a disproportionate allocation of the short-term incentive pool to more senior levels.
- Market competitiveness of our executive remuneration relative to our peers and other large organisations.
- The remuneration of the heads of control functions has been determined independently of the results of the businesses they support.

The 2022 short-term incentives allocated to our executive directors and prescribed officers for whom disclosures are made this year amounted to **R81.5 million.** This is reflective of the performance of the Group, the growth in the Group's short-term incentive performance pool, and the executives' contribution during the year. The outcomes also reflect the changes made in the composition of the Group's executive director and prescribed officer population during the year as a result of our operating model changes and the role/s held by each incumbent.

Individual disclosures for our executive directors and prescribed officers are on pages 22 to 58 of the Implementation Report. We set out the details of any role changes within this population during the year. Given the number of changes in respect of the Group's senior leadership, making meaningful year-on-year comparisons in these detailed disclosures (as well as those in the Annual Financial Statements disclosures) may be challenging.

Stakeholder considerations

Our 2022 remuneration implementation decisions were made through the lens of enabling the long-term sustainability of our business and ensuring a balance of stakeholder interests over time.

In reviewing our remuneration frameworks and in approving the remuneration outcomes for 2022, the RemCo considered the following:

- The market-competitive performance delivered by the Group in 2022, which is underpinned by sound quality of earnings.
- Ensuring that our remuneration frameworks remain fit for purpose and competitive to support the attraction and retention of key talent and scarce and critical skills in all our markets to support a sustainable franchise. In this regard, we seek to ensure that our remuneration frameworks are locally relevant and competitive in the markets in which we operate.
- The improving Group performance trends reflected in our relative total shareholder return, which is ahead of the major banks.

Shareholder engagement

We are committed to ongoing and constructive engagement with shareholders regarding remuneration and related matters.

The Group Chairman and RemCo Chairman engaged extensively with shareholders ahead of our 2022 AGM on matters including our remuneration framework review, which commenced in 2020 and further developed during 2021. As in prior years, we sought to address the feedback we have received from shareholders in our evolving practices and disclosures. We thank our shareholders for their constructive input.

At the AGM on 3 June 2022, we received an 81.45% vote in favour of the Remuneration Policy and 58.85% in favour of the Implementation Report. As required in terms of King IV and the Johannesburg Stock Exchange (JSE) Listings Requirements, dissenting shareholders were invited to a further engagement on 30 June 2022 where shareholders representing approximately 7% of issued Absa Group shares attended a Microsoft Teams call. Based on engagements with shareholders before and after the 2022 AGM, the RemCo understands that the primary shareholder concern regarding our 2021 Implementation Report was related to the separation arrangement concluded with the previous Group Chief Executive.

Our Remuneration Policy and the Implementation Report for 2022 will be presented for separate annual non-binding votes at our AGM on 2 June 2023, with the resolutions in the 2023 Notice of AGM.

Regulatory compliance

Our remuneration-related reporting aligns with the South African Companies Act requirements, Section 64C and Regulation 39(16)(a) of the South African Banks Act, the principles and recommended practices of King IV, the related JSE Listings Requirements, and the Basel Committee on Banking Supervision Pillar 3 disclosure requirements. The South African Prudential Authority's *Governance of Insurers (GOI)* standards were applied concerning Absa Financial Services and the underlying insurance entities. We also adhere to local remuneration-related legislative and regulatory requirements in each of the countries within which we operate.

We have been mindful of broader remuneration governance guidance and frameworks, including the Financial Stability Board's Principles for Sound Compensation Practices and Implementation Standards.

We continue to engage with regulators regarding evolving remuneration governance and good practice requirements.

Aligned with King IV, the Group will engage with shareholders in the event of a negative vote of over 25% on our Remuneration Policy or 2022 Implementation Report.

Access to information and advisers

Members of the RemCo may access any information required to inform their independent judgement on remuneration and related matters, including risk, regulation, compliance, the control environment, or conduct.

Deloitte is the independent RemCo adviser. Advice was provided on our evolving remuneration framework, local and international market practices and executive remuneration. The advice provided to the RemCo was objective and unbiased. Deloitte does not provide remuneration advisory services to management.

Specialist consultancy firms are engaged by management to provide market benchmarking data and general reward advisory services. These include RemChannel, McLagan, Mercer and KornFerry. Vasdex Associates (management's primary reward adviser) provided advisory services to management to benchmark the competitiveness of the Group's variable remuneration pools and fair and responsible remuneration.

Several enabling and control functions within the Group, including the Group People Function, Group Finance, Risk, Compliance and Internal Audit, provide supporting information and documentation to the RemCo. In particular, Group Finance is actively involved in all matters pertaining to the formulation and measurement of metrics for the short-term and long-term incentives and the related determination and distribution of the pools and vesting outcomes.

PwC, the Group's joint external auditors, provided a factual findings report to the RemCo on the metrics' outcomes for the 2020 long-term incentive that will vest in 2023. These are on pages 20 and 21 of the Implementation Report.

Conclusion

The Group's performance in 2022 is reflected in our remuneration outcomes. As in prior years, we have sought to ensure an appropriate balance of stakeholder interests in our remuneration outcomes and focused on attracting and retaining skilled and talented individuals. The RemCo gave considerable attention to ensuring that our remuneration philosophy and policy are fit for purpose, support the Group's strategy, and that remuneration outcomes reflect the strategic deployment of our remuneration resources. Our 2022 remuneration implementation decisions represent a fair outcome based on the Group's performance, are appropriately aligned with shareholder and stakeholder interests over the long term, and are sustainable.

Given the dynamic macroeconomic and social environment, the RemCo's future focus (in collaboration with other Board Committees, such as the Social, Sustainability and Ethics Committee) will be on the following:

- Attracting and retaining top talent, scarce and critical skills, and mitigating the impact of macro issues on talent movement (including emigration) and availability, as an underpin to our Pan-African strategic ambition.
- Fair and responsible remuneration in the context of the Group's ESG strategy. This includes ensuring appropriate responses to emerging regulatory and best-practice disclosure requirements covering broader ESG and specific remuneration matters.
- Consideration of the evolution of the organisational health metrics in the short-term and long-term incentives.
- Ongoing evaluation of the impact of our evolving remuneration frameworks and their outcomes ensures that they remain locally relevant and competitive, and effectively balance the needs and interests of various stakeholders.

We are confident that our Remuneration Policy is now substantially fit for purpose. To remain market competitive (both in terms of our remuneration frameworks and remuneration outcomes), we will continue to identify opportunities to strengthen our frameworks and their implementation.

I am thankful to the RemCo for their efforts over the past few years in developing our remuneration framework, and making remuneration implementation decisions focused on our employees delivering the Group's strategic ambitions, and aligned with the interests of our stakeholders.

Rewarding value creation continued

Executive directors and prescribed officers: remuneration tables

Combined tables for 2022 total remuneration

	Arrie Rautenbach[7]		Jason Quinn		Daniel Mminele[8]		Peter Matlare[9]		Total	
Executive directors Awarded remuneration	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**
Salary	**8 689 014**	6 444 479	**6 098 485**	5 418 952	**–**	2 922 288	**–**	1 617 039	**14 787 499**	16 402 758
Medical aid	**167 556**	161 892	**123 804**	119 604	**–**	–	**–**	55 632	**291 360**	337 128
Retirement benefits	**185 596**	158 651	**462 660**	411 749	**–**	51 466	**–**	89 621	**648 256**	711 487
Other employee benefits	**232 918**	494 316	**67 380**	59 008	**–**	26 247	**–**	7 726	**300 298**	587 297
Total fixed remuneration	**9 275 084**	7 259 338	**6 752 329**	6 009 313	**–**	3 000 001	**–**	1 770 018	**16 027 413**	18 038 670
Non-deferred cash award[1]	**9 750 000**	6 750 000	**8 000 000**	9 000 000		–		–	**17 750 000**	15 750 000
Deferred share award[2]	**8 750 000**	5 750 000	**7 000 000**	8 000 000	**–**	–	**–**	–	**15 750 000**	13 750 000
Total short-term incentive[3]	**18 500 000**	12 500 000	**15 000 000**	17 000 000	**–**	–	**–**	–	**33 500 000**	29 500 000
Face value of long-term incentive award (on-target award)[4]	**17 000 000**	17 000 000	**13 000 000**	12 500 000	**–**	–	**–**		**30 000 000**	29 500 000
Other payments[5]	**–**	2 007 617	**–**	–	**–**	30 466 273	**–**	893 316	**–**	33 367 206
Total awarded remuneration[6]	**44 775 084**	38 766 955	**34 752 329**	35 509 313	**–**	33 466 274	**–**	2 663 334	**79 527 413**	110 405 876

[1] This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.

[2] This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022 performance.

[3] Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

[4] The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the 'on-target' value of the award.

[5] 'Other payments' reflect all payments made to Daniel Mminele on termination of employment (see note 8) and, for other executive directors and prescribed officers, the encashment of leave as a consequence of changes to our leave policy. For Peter Matlare, the payment was in respect of accrued leave to the date of his passing, excluding any death benefit due from Group benefit funds.

[6] Total awarded remuneration for 2022 includes the fixed remuneration paid during 2022, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2023 and a deferred share award granted in April 2023), and the face value of the long-term incentive to be granted in April 2023. Amounts disclosed in 2021 follow the same principle.

[7] Arrie Rautenbach was appointed as Group Chief Executive and executive director on 29 March 2022, and was the Chief Executive: Retail and Business Banking and a prescribed officer prior to that. His total awarded remuneration for 2022 is disclosed in full in the executive director disclosures, for ease of reference. His 2021 total awarded remuneration was included in the prescribed officer table in the 2021 disclosures, and is included in this table for ease of comparison.

[8] Daniel Mminele stepped down as an executive director on 20 April 2021 and ceased being an employee on 30 April 2021. All remuneration paid to him in 2021 was included in the 2021 disclosures. This included separation payments, contractual notice payments and leave payments which are shown as 'Other payments'.

[9] In light of the passing of Peter Matlare on 7 March 2021, his 2021 fixed remuneration was pro-rated for time in service.

Executive directors and prescribed officers: remuneration tables *continued*

Combined tables for 2022 total remuneration *continued*

Executive directors Single-figure remuneration	Arrie Rautenbach[7] 2022 R	Arrie Rautenbach[7] 2021 R	Jason Quinn 2022 R	Jason Quinn 2021 R	Daniel Mminele[8] 2022 R	Daniel Mminele[8] 2021 R	Peter Matlare[9] 2022 R	Peter Matlare[9] 2021 R	Total 2022 R	Total 2021 R
Salary	**8 689 014**	6 444 479	**6 098 485**	5 418 952	**–**	2 922 288	**–**	1 617 039	**14 787 499**	16 402 758
Medical aid	**167 556**	161 892	**123 804**	119 604	**–**	–	**–**	55 632	**291 360**	337 128
Retirement benefits	**185 596**	158 651	**462 660**	411 749	**–**	51 466	**–**	89 621	**648 256**	711 487
Other employee benefits	**232 918**	494 316	**67 380**	59 008	**–**	26 247	**–**	7 726	**300 298**	587 297
Total fixed remuneration	**9 275 084**	7 259 338	**6 752 329**	6 009 313	**–**	3 000 001	**–**	1 770 018	**16 027 413**	18 038 670
Non-deferred cash award[1]	**9 750 000**	6 750 000	**8 000 000**	9 000 000		–		–	**17 750 000**	15 750 000
Deferred share award[2]	**8 750 000**	5 750 000	**7 000 000**	8 000 000	**–**	–	**–**	–	**15 750 000**	13 750 000
Total short-term incentive[3]	**18 500 000**	12 500 000	**15 000 000**	17 000 000	**–**	–	**–**	–	**33 500 000**	29 500 000
Value of vested long-term incentives	**17 306 932**	2 803 482	**17 306 932**	2 735 115		–		2 079 592	**34 613 864**	7 618 189
Dividend equivalents/service credits received on vesting awards	**975 639**	654 991	**1 113 502**	611 062		–		1 599 258	**2 089 141**	2 865 311
Total long-term incentives[4]	**18 282 571**	3 458 473	**18 420 434**	3 346 177	**–**	–	**–**	3 678 850	**36 703 005**	10 483 500
Other payments[5]	**–**	2 007 617	**–**	–	**–**	30 466 273	**–**	893 316	**–**	33 367 206
Total single-figure remuneration[6]	**46 057 655**	25 225 428	**40 172 763**	26 355 490	**–**	33 466 274	**–**	6 342 184	**86 230 418**	91 389 376

1 This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.

2 This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022.

3 Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

4 The 2020 long-term incentive, which vests in respect of the performance period ending 31 December 2022, is included in the 2022 single-figure remuneration for executive directors and prescribed officers. The actual value of the vesting to accrue to each participant will be based on the share price on vesting date (in equal tranches on 18 March 2023, 2024 and 2025) and will include any dividend shares (based on dividends declared during the vesting period, and referenced to the number of shares that will vest following application of the performance targets). For the purpose of the 2022 and 2021 disclosure, values are reported using the 31 December share price for the respective years, adjusted for the performance target outcomes. as the publication date of the Annual Financial Statements was before the vesting date in each instance. In light of the passing of Peter Matlare on 7 March 2021, the Board approved the payment in cash of the long-term incentive that was awarded to him (adjusted for performance measurement), as long-term awards would, in the normal course, be accelerated in the event of the death of a participant.

5 Other payments' reflect all payments made to Daniel Mminele on termination of employment (see note 8) and for other executive directors and prescribed officers, the encashment of leave as a consequence of changes to our leave policy. For Peter Matlare, the payment is in respect of accrued leave to the date of his passing, excluding any death benefit due from Group benefit funds.

6 Total single figure remuneration includes, for each year respectively, the fixed remuneration paid during 2021 and 2022, short-term incentives in respect of 2021 and 2022 performance (consisting of a cash award paid in March 2022 and March 2023, and a deferred share award granted in April 2022 and April 2023), long-term incentive awards (consisting of the full value of vested long-term incentives, notwithstanding that this is released in three vesting tranches in 2023, 2024 and 2025, and dividend equivalents/service credits received on the vesting dates) and payments reflected as 'Other Payments'.

7 Arrie Rautenbach was appointed as Group Chief Executive and executive director on 29 March 2022, and was the Chief Executive: Retail and Business Banking and a prescribed officer prior to that. His single figure remuneration for 2022 is disclosed in full in the executive director disclosures, for ease of reference. His 2021 single figure remuneration was included in the prescribed officer table in the 2021 disclosures, and is reflected in this table for ease of comparison.

8 Daniel Mminele stepped down as an executive director on 20 April 2021 and ceased being an employee on 30 April 2021. All remuneration paid to him in 2021 was included in the 2021 disclosures. This included separation payments, contractual notice payments and leave payments which are shown as 'Other payments' Both short-term incentives and long-term incentives were shown at full value.

9 In light of the passing of Peter Matlare on 7 March 2021, his 2021 fixed remuneration was pro-rated for time in service.

Rewarding value creation *continued*

Executive directors and prescribed officers: remuneration tables *continued*

Combined tables for 2022 total remuneration *continued*

	Charles Russon		Punki Modise[7]		Faisal Mkhize[8]		Cowyk Fox[8]		Geoffrey Lee[8]		Saviour Chibiya[8,9]		Total	
Prescribed officers Awarded remuneration	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**	**2022 R**	**2021 R**
Salary	**5 763 388**	5 585 822	**1 624 045**	1 866 091	**2 543 235**	–	**2 478 656**	–	**2 652 901**	–	**2 040 976**	–	**17 103 201**	7 451 913
Medical aid	**209 508**	202 428	**108 194**	156 811	**55 710**	–	**104 754**	–	**94 266**	–	**116 879**	–	**689 311**	359 239
Retirement benefits	**192 301**	162 055	**137 037**	159 877	**196 991**	–	**99 769**	–	**107 639**	–	**–**	–	**733 737**	321 932
Other employee benefits	**62 132**	59 008	**181 193**	210 403	**79 064**	–	**293 380**	–	**19 664**	–	**258 000**	–	**893 433**	269 411
Total fixed remuneration	**6 227 329**	6 009 313	**2 050 469**	2 393 182	**2 875 000**	–	**2 976 559**	–	**2 874 470**	–	**2 415 855**	–	**19 419 682**	8 402 495
Non-deferred cash award[1]	**7 500 000**	6 750 000	**3 500 000**	5 500 000	**4 000 000**	–	**4 000 000**	–	**4 000 000**	–	**4 000 000**	–	**27 000 000**	12 250 000
Deferred share award[2]	**6 500 000**	5 750 000	**2 500 000**	4 500 000	**3 000 000**	–	**3 000 000**	–	**3 000 000**	–	**3 000 000**	–	**21 000 000**	10 250 000
Total short-term incentive[3]	**14 000 000**	12 500 000	**6 000 000**	10 000 000	**7 000 000**	–	**7 000 000**	–	**7 000 000**	–	**7 000 000**	–	**48 000 000**	22 500 000
Face value of long-term incentive award (on-target award)[4]	**11 000 000**	10 000 000	**8 000 000**	10 000 000	**8 500 000**	–	**8 500 000**	–	**8 500 000**	–	**8 500 000**	–	**53 000 000**	20 000 000
Other payments[5]	**–**		**–**	816 546	**–**	–	**–**	–	**–**	–	**481 291**	–	**481 291**	816 546
Total awarded remuneration[6]	**31 227 329**	28 509 313	**16 050 469**	23 209 728	**18 375 000**	–	**18 476 559**	–	**18 374 470**	–	**18 397 146**	–	**120 900 973**	51 719 041

1 This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.

2 This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022 performance.

3 Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

4 The long-term incentives relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the 'on-target' value of the award.

5 'Other payments' reflect the encashment of leave as a consequence of changes to our leave policy. See note 9 regarding Saviour Chibiya's 'Other payments'.

6 Total awarded remuneration for 2022 includes the fixed remuneration paid during 2022, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2023 and a deferred share award granted in April 2023), and the face value of the long-term incentive to be granted in April 2023. Amounts disclosed in 2021 follow the same principle. See notes 7 and 8 regarding the pro-ration of fixed remuneration for individuals who were not in their roles for the full year.

7 Punki Modise was appointed as the Interim Financial Director and executive director on 23 April 2021 until 28 March 2022. She was subsequently appointed as Interim Chief Executive: Retail and Business Banking and prescribed officer from 29 March 2022 until 30 June 2022. Her remuneration disclosures for 2022 and the comparative 2021 disclosures are all set out in this table for ease of reference and comparison. Her fixed remuneration is pro-rated for the period served as an executive director and a prescribed officer during each year, with the short-term incentive and long-term incentive shown at full value.

8 As a result of the Board-approved changes to the Group operating model, four new prescribed officers were appointed on 1 July 2022. Their fixed remuneration has been pro-rated from appointment date, with short-term incentives and long-term incentives shown at full value.

9 Saviour Chibiya's expatriate benefits have been included under 'Other payments'.

Protecting value through sound governance *continued*

Executive directors and prescribed officers: remuneration tables *continued*

Single-figure remuneration

Prescribed officers Single-figure remuneration	Charles Russon 2022 R	 2021 R	Punki Modise[7] 2022 R	 2021 R	Faisal Mkhize[8] 2022 R	 2021 R	Cowyk Fox[8] 2022 R	 2021 R	Geoffrey Lee[8] 2022 R	 2021 R	Saviour Chibiya[8,9] 2022 R	 2021 R	Total 2022 R	 2021 R
Salary	5 763 388	5 585 822	1 624 045	1 866 091	2 543 235	–	2 478 656	–	2 652 901	–	2 040 976	–	17 103 201	7 451 913
Medical aid	209 508	202 428	108 194	156 811	55 710	–	104 754	–	94 266	–	116 879	–	689 311	359 239
Retirement benefits	192 301	162 055	137 037	159 877	196 991	–	99 769	–	107 639	–	–	–	733 737	321 932
Other employee benefits	62 132	59 008	181 193	210 403	79 064	–	293 380	–	19 664	–	258 000	–	893 433	269 411
Total fixed remuneration	6 227 329	6 009 313	2 050 469	2 393 182	2 875 000	–	2 976 559	–	2 874 470	–	2 415 855	–	19 419 682	8 402 495
Non-deferred cash award[1]	7 500 000	6 750 000	3 500 000	5 500 000	4 000 000	–	4 000 000	–	4 000 000	–	4 000 000	–	27 000 000	12 250 000
Deferred share award[2]	6 500 000	5 750 000	2 500 000	4 500 000	3 000 000	–	3 000 000	–	3 000 000	–	3 000 000	–	21 000 000	10 250 000
Total short-term incentive[3]	14 000 000	12 500 000	6 000 000	10 000 000	7 000 000	–	7 000 000	–	7 000 000	–	7 000 000	–	48 000 000	22 500 000
Value of vested long-term incentives	13 196 640	1 914 565	4 326 685	786 762	4 687 339	–	5 365 213	–	4 687 339	–	3 210 402	–	35 473 618	2 701 327
Dividend equivalents/service credits received on vesting awards	800 410	450 541	286 851	100 700	323 895	–	412 308	–	368 333	–	310 205	–	2 502 002	551 241
Total long-term incentives[4]	13 997 050	2 365 106	4 613 536	887 462	5 011 234	–	5 777 521	–	5 055 672	–	3 520 607	–	37 975 620	3 252 568
Other payments[5]	–	–	–	816 546	–	–	–	–	–	–	481 291	–	481 291	816 546
Total single-figure remuneration[6]	34 224 379	20 874 419	12 664 005	14 097 190	14 886 234	–	15 754 080	–	14 930 142	–	13 417 753	–	105 876 593	34 971 609

1 This is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2022 and March 2023 in respect of prior year performance.

2 This is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1m. Deferred awards were granted in April 2022 for the 2021 short-term incentive award, and will be granted in April 2023 for 2022 performance.

3 Short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance-based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).

4 The 2020 long-term incentive, which vests in respect of the performance period ending 31 December 2022, is included in the 2022 single-figure remuneration for executive directors and prescribed officers. The actual value of the vesting to accrue to each participant will be based on the share price on vesting date (in equal tranches on 18 March 2023, 2024 and 2025 for Charles Russon, and on 18 March 2023 for Punki Modise, Faisal Mkhize, Cowyk Fox, Geoff Lee and Saviour Chibiya) and will include any dividend shares (based on dividends declared during the vesting period, and referenced to the number of shares that will vest following application of the performance targets). For the purpose of the 2022 and 2021 disclosure, values are reported using the 31 December share price for the respective years, as the publication date of the Annual Financial Statements was before the vesting date in each instance.

5 'Other payments' reflect the encashment of leave as a consequence of changes to our leave policy. See note 9 regarding Saviour Chibiya's 'Other payments'.

6 Total single figure remuneration includes, for each year respectively, the fixed remuneration paid during 2021 and 2022, short-term incentives in respect of 2021 and 2022 performance (consisting of a cash award paid in March 2022 and March 2023, and a deferred share award granted in April 2022 and April 2023), long-term incentive awards (consisting of the value of vested long-term incentives and dividend equivalents/service credits received on the vesting dates) and payments reflected as 'Other Payments'. See notes 7 and 8 regarding the proration of fixed remuneration for individuals who were not in their roles for the full year.

7 Punki Modise was appointed as Interim Financial Director and executive director on 23 April 2021 until 28 March 2022. She was subsequently appointed as Interim Chief Executive: Retail and Business Banking and prescribed officer from 29 March 2022 until 30 June 2022. Her remuneration disclosures for 2022 and the comparative 2021 disclosures are all set out in this table for ease of reference and comparison. Her fixed remuneration is pro-rated for the period served as an executive director and a prescribed officer during each year. The short-term incentive, the vesting value of her 2020 long-term incentive, and dividend equivalents and service credits are shown at full value.

8 As a result of the Board-approved changes to the Group operating model, four new prescribed officers were appointed on 1 July 2022. Their fixed remuneration has been pro-rated from appointment date. Their short-term incentives, the vesting value of their 2020 long-term incentive, and dividend equivalents and service credits are shown at full value.

9 Saviour Chibiya's expatriate benefits have been included under 'Other payments'.

Supplementary information

Basis of preparation and presentation

Integrated reporting scope and boundary

We aim to provide investors with a concise yet sufficiently informed view of the Group's strategy, governance, performance and prospects in the context of our operating environment, reporting on how value is created, protected or eroded over time.

The financial information reporting boundary is defined by control and significant influence over entities, as indicated in the diagram below. In some cases, environmental and social boundaries only encompass South African operations and are noted as such. Our integrated reporting boundary extends to the whole Group which includes our ARO markets. Strategic and governance information boundaries expand to the Group's key risks, opportunities and outcomes, including matters relevant to our primary stakeholders. Matters attributable to other stakeholders are included if material, that is, if it could significantly affect the Group's ability to create and preserve value, or lead to value erosion, over the short, medium and long term.

Restatements and reporting methodologies

Changes to reportable segments and business portfolios

In the current period, Treasury revised its allocation methodology to better reflect the underlying performance of the relevant business units. This resulted in the restatement of operating expenses and net- interest income between, and within, segments, as part of the federation model to move cluster-specific costs into business. These resulted in adjustments to the related intercompany balances, thus impacting "other assets" and "other liabilities". The change resulted in the restatement of the business units' financial results for comparative periods but has no impact on the overall financial position or net earnings of the Group. Refer to note 57 in the annual financial statements.

Metrics in the *value over time* table

Digitally active customers methodology

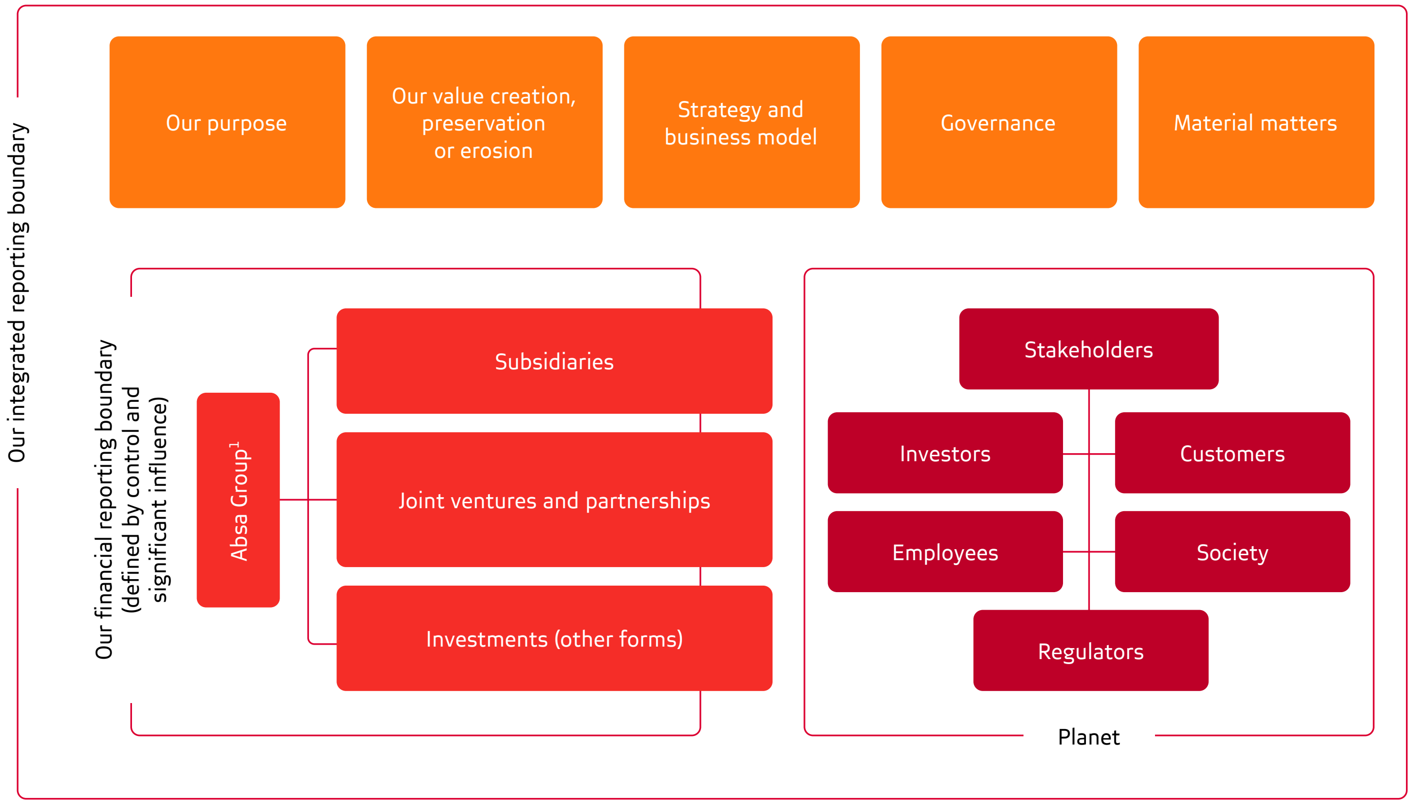
Metrics for 2018 and 2019 include RBB SA only. In 2020 the metric was extended to include ARO RBB. Metrics for 2021 and 2022 include CIB Pan-Africa, RBB SA and ARO RBB. The methodology for calculating this metric considers activity within 90 or 30 days depending on the individual business segments preferred reporting methodology. The totals provided here do not adjust for the different methodologies.

Total procurement spend methodology

Total procurement spend for the Group (R22.2 billion) extracted from the procurement system, excludes spend with external entities not managed under procurement contracts including licensed financial service companies, regulated government utilities, introducers, joint ventures, and individual consultants and service workers.

Economic value to suppliers methodology

Economic value to suppliers (R18.6 billion) is derived from an IFRS financial value added statement reporting methodology.



[1] A list of subsidiaries and consolidated structured entities are outlined in note 48.3 of the Group consolidated annual financial statements.

Transactions screened for environmental and social impact

In previous integrated reports this metric also included commercial property transactions. The trend provided in this report only includes general transactions and Equator Principle transactions.

Branches methodology

The number of branches performance metric is made up of the total number of branches reported for SA and ARO. The number of branches reported for ARO includes only traditional branches (i.e., offering full service and sales onboarding supported by staff and or devices), whereas the number of branches reported for SA further includes additional Sales and Services Outlets, namely Private Banking, Business Banking, and Wealth suites.

Regulatory fines and penalties

Post year-end (January 2023) a regulatory fine and penalty was received to the value of R1.4 million which is not included in the R3.7 million disclosed in the value over time table. Also, the R3.7 million excludes fines and penalties from industry bodies and revenue authorities.

Normalised financial results

Given the process of separating from Barclays PLC, Absa Group has reported IFRS-compliant financial results as well as a normalised view. The latter adjusts for the consequences of the separation and better reflects its underlying performance. Normalisation adjusted for the following items: interest earned on the remaining capital invested; non-interest income; operating expenses mainly relating to the amortisation of intangible assets and depreciation; recovery of other operating expense and the tax impact of the aforementioned items. Since normalisation occurs at a Group level, it does not affect divisional disclosures.

Reporting period and forward-looking statements

This report covers the period from 1 January 2022 to 31 December 2022. Notable or material events after 31 December 2022 and until the approval of this report on 23 March 2023 are included. Statements relating to future operations and the performance of the Group are not guarantees of future operating, financial or other results and involve uncertainty, as they are based on assumptions of future developments, some of which are beyond our control. Therefore, the results and outcomes may differ. Given continued levels of uncertainty, our approaches, planning, and stress testing exhibit a higher than usual level of uncertainty as to selected outlook and forward-looking statements. Shareholders should consider the full published reporting suite on *www.absa.africa* as part of any investment decision.

Process disclosure and assurance approach

Approach to reporting processes

We apply a risk-based, combined assurance approach to the Group's operations. Internal controls, management assurance, compliance, internal audit reviews, and the services of independent external assurance providers support the accuracy of the disclosures within our published reports. In line with their respective mandates, the Disclosure, Social, Sustainability and Ethics, Remuneration, Directors' Affairs, Group Audit and Compliance, Information Technology, and Group Risk and Capital Management committees review and recommend specific reports to the Board for approval. The Board takes final accountability for approving the Group's external disclosures.

Our full reporting suite is available at *www.absa.africa/absaafrica/investor-relations/annual-reports/*

- **PricewaterhouseCoopers Inc. and KPMG Inc.**: jointly audited our Absa 2022 annual financial statements. Note: this report contains certain information that has been extracted from the group's audited annual financial statements (denoted as "EA" within our 'value over time' table), on which an unmodified audit opinion has been expressed by the group's external auditors.
- **PricewaterhouseCoopers Inc.** conducted limited assurance on selected sustainability information as disclosed in 2022 Environmental, Social and Governance Report. The selected sustainability information has been denoted with an "LA" within our value over time table.
- **Empowerdex** verified our B-BBEE rating. The scope and conclusions of these can be found on our website.

The Integrated Report

Process

We follow a formally documented, end-to-end integrated reporting process, tracked using a digital project management system. The process is audited by our Group Financial Control (1st line of defense), who check that functions, roles and responsibilities are running as documented and that the design and implementation of the process are effective. This is supported by an annual self-attestation from management, confirming that the process is being adhered to and remains effective.

The first step of our integrated reporting process is our *materiality determination process*, which enables us to identify and report on matters that can significantly affect our ability to create or preserve value, or lead to value erosion, over the short, medium, and long term. The material matters identified through our materiality determination process are included in our Integrated Report and are reviewed and approved by ExCo and the Disclosure Committee.

As a further input into our integrated reporting process, recommendations to improve the quality of our Integrated Report are put forward to the Disclosure Committee annually for discussion and approval. These recommendations are informed by a rigorous internal review of our Integrated Report against reporting best practice and disclosure trends. We also receive guidance from independent experts, such as EY and Deloitte, who provide insight into improving the quality and integrity of our Integrated Report.

Before we release our Integrated Report to our stakeholders, it is comprehensively reviewed by our ExCo and Board, supported by the Disclosure Committee. This year, we took steps to enhance the integrity of our Integrated Report by including internal assurance (3rd line of defense) on certain components of the report (Explained on the next page).

Basis of preparation and presentation continued

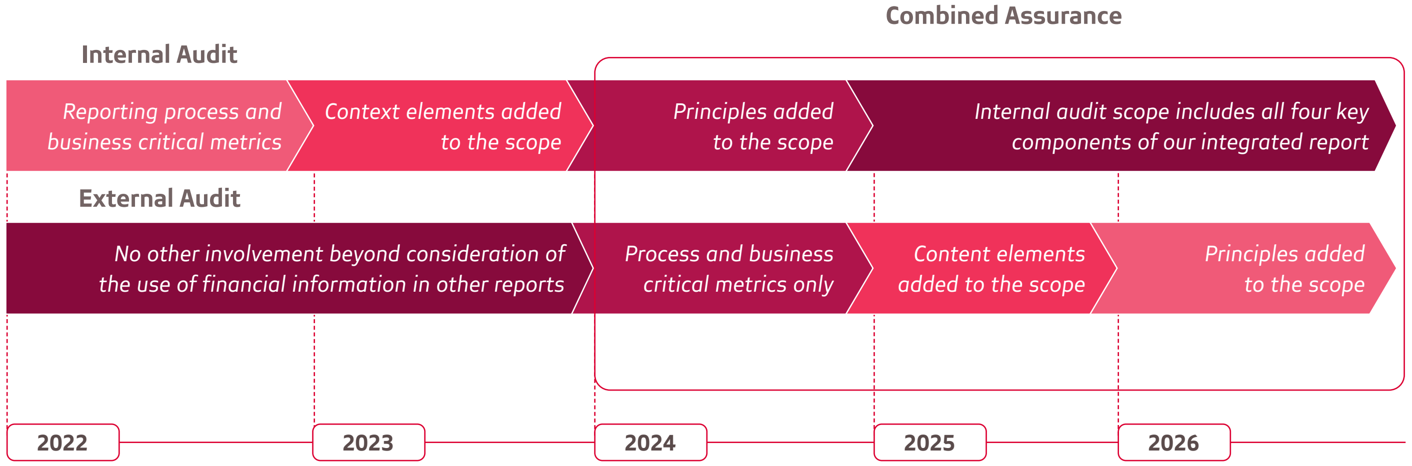
Integrated reporting assurance

This year we initiated a multi-year assurance plan to enhance the integrity of our Integrated Report and reporting process. We believe that assurance strengthens the credibility of reporting, and helps improve internal information-gathering systems and processes, providing comfort to our key stakeholders. Our assurance journey (as depicted below) contains steps to develop a combined assurance approach that relies on shared oversight and responsibility for the assurance process by internal and external audit and assurance providers.

The scope of our assurance journey will cover four key components of our Integrated Report:

- The integrated reporting process (described in the 'Process' section above).
- Self-determined performance metrics, which are reflected in our *value over time* table and contain key metrics from our Group strategic scorecard[1].
- Content elements (as defined in the IR Framework[2]) included in our Integrated Report.
- Select principles contained in the IR Framework[3].

As part of year one (i.e., 2022), internal assurance over the Group's 2022 Integrated Reporting process and selected performance metrics was provided by Absa Internal Audit (see below).



Statement from our Group Chief Internal Auditor

"It's a privilege for Absa Internal Audit to present our inaugural assurance statement over Absa's Integrated Report."

Prabashni Naidoo
Group Chief Internal Auditor

Absa Internal Audit's (IAs) assurance in respect of the Group's 2022 Integrated Report, included an assessment over management's description of the processes performed in compiling and reviewing the Group's Integrated Report page 109 and an assessment over the preparation and measurement over key performance metrics in accordance with management's defined reporting criteria.[4]

[1] As approved by the Board for any given year.
[2] Integrated Reporting Framework, IFRS.
[3] Globally, professional bodies are investigating assurance opportunities for integrated reporting. Areas of development include defining the reporting criteria for certain principles that are not well defined to represent suitable criteria for an effective assurance engagement (including, for example, Completeness, Connectivity and Conciseness. Other principles require significant auditor judgement (including, for example, Materiality and Strategic focus and future orientation).
[4] Management's defined reporting criteria is available on request.

We have conducted our engagement in line with the IA Methodology as well as drawing on the principles from the International Standards on Assurance Engagements, ISAE 3000 (Revised). For this purpose, IA partnered with a reputable international professional services firm in ensuring that the principles adopted are aligned with leading practices.

The key performance metrics in-scope as presented in the 'value over time' table pages 21 to 23, denoted as internally assured (IA) included:

Category	Performance metric	Reporting boundary
Natural capital	• Loan exposure to fossil fuels • Transactions screened for environmental and social impacts	Absa Group Limited
	• Sustainable and loan financing	CIB, RB and Home loans
Human capital	• Management control – Employment equity • AIC employees (SA only) (race equality)	South Africa
	• Employee headcount • Economic value to employees • Female-to-male ratio (gender equality) • Women in senior leadership	South Africa, ARO and Representative Offices
	• Employee headcount below the age of 40 (age neutrality) • Retention of high-performing employees • Absa Way Code of Ethics training completion • Turnover rate • Absenteeism rate • Employee experience index • Employee training and development spend	South Africa and ARO
Social and relationship capital	• Economic value to government • Economic value to investors • Economic value to suppliers • Economic value to communities	Absa Group Limited
	• Regulatory fines and penalties • Total procurement spend[1] • Consumer education participants[1]	South Africa and ARO
	• Client experience – CIB	CIB Pan-Africa
	• Customer experience	RB, EB, PSC, ARO RBB (Retail Banking and Business Banking)
	• Customer numbers	RB, EB, PSC, ARO RBB and CIB Pan-Africa
	• Treating customers fairly outcome score[2]	RB, EB and ARO RBB (Retail Banking and Business Banking)
Intellectual capital	• Digitally active customers – total	RB, EB, PSC, ARO RBB and CIB Pan-Africa
Manufactured capital	• ATMs • Branches	South Africa and ARO

Directors' responsibility

The Disclosure Committee (the Committee) has been established by the Board of directors as a sub-committee of the Absa Group Audit and Compliance Committee (the GACC). The purpose of the Committee is to assist the Board and various Board committees in considering the integrity, appropriateness and relevance of disclosures made in the Group's Integrated Report on issues deemed material to the short-, medium- and long-term value creation of the Group. Accordingly, the Committee is responsible for:

- Reviewing management's reporting controls and procedures to ensure that reporting reflects the execution of the Group's strategy; and is integrated across all areas of the Group's financial and ESG performance
- Evaluating significant judgements and reporting decisions affecting the Integrated Report

[1] These performance metrics were not disclosed under the 'Value of time' table, but included within 'Our stakeholders' needs and expectations' section of the report.
[2] These performance metrics were not disclosed under the 'Value of time' table, but included within 'The primary partner for our clients' section of the report.

Basis of preparation and presentation continued

- Evaluating and providing guidance on whether the information contained in the Integrated Report disclosures meets the following criteria, inter alia, information:
  - Is material to the ongoing sustainability of the Group, including relevant key risk and key performance indicators
  - Supports completeness, relevance, accuracy, and comparability (as applicable) with past performance and is forward-looking;
  - Forms part of the response of the Group to the legitimate expectations of all stakeholders
  - Influences the stakeholder assessment(s) of the Group's value creation and future ability to continue operations
  - Reflects the impact of the operating environment on the Group's operations as well as the Group's impact on the economic, social and environmental spheres.
- Approving recommendations from management on processes for combined assurance over the Integrated Report and other specified external reports, to include but not be limited to, the scope of assurance activities level of assurance required, and as deemed appropriate, the selection of independent assurance providers
- Reviewing the summary findings raised in the Integrated Report from the assurance providers and management's responses
- Comparing and assessing content in the Integrated Report to ensure that no conflicts or differences arise when compared to the financial results.

Internal Audit's responsibility

IAs responsibility is to plan and perform this specific assurance engagement in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusions.

We plan and perform the engagement to obtain specific assurance regarding whether the key performance metric information is free from material misstatement. Further, we comply with ethical requirements and planned and performed our assurance engagement with the aim of obtaining specific assurance regarding the key performance metrics in-scope of the engagement. We shall not be responsible for reporting on any performance metric events and transactions beyond the period covered by our assurance engagement.

Independence and quality control

IA adheres to the mandatory elements of the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), including the Core Principles for the Professional Practice of Internal Auditing, the IIA Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (IIA Standards), and the definition of Internal Auditing.

Further, IA complies with Absa values and any other material Regulatory requirements as it pertains to Internal Audit. IA maintains an internal Quality Assurance (QA) function and a continuous improvement programme that covers all aspects of Internal Audit activity and continuously monitors its effectiveness to the IIA Standards including documented policies and procedures regarding compliance with ethical requirements to the IIA Code of Ethics and applicable legal and regulatory requirements. The quality assurance and improvement programme receives oversight from the GACC.

Summary of work performed

Our evaluation included performing such procedures as we considered necessary which included:

- Procedures over management's description of the processes performed:
  - Interviewing management to obtain an understanding of the process and information systems relevant to the reporting processes for the Integrated Report
  - Inspecting supporting documentation, approvals and minutes of meetings to confirm management's description of the processes performed in compiling and reviewing the Integrated Report
- Procedures over the preparation and measurement of key performance metrics:
  - Interviewing management to obtain an understanding of managements defined criteria, process and information systems relevant to the key performance indicators
  - Assessing the processes to generate, collate, aggregate, validate and monitor the data used to prepare the key performance metrics for disclosure in the reports
  - Inspecting supporting documentation and performing sample testing on the underlying data for key performance metrics
  - Independently obtaining data from source systems and recalculating the key performance metrics
  - Performing procedures to verify whether the key performance metrics were monitored within the Group during the reporting period
  - Evaluating whether the key performance metric disclosures are consistent with our overall knowledge and experience of the Group and non-financial processes.

Conclusion

Based on procedures performed, IA confirms the following:

- The Integrated Report for the period ended 31 December 2022 is compiled and reviewed in accordance with management's description of the reporting process
- The selected key performance metrics disclosed in the Integrated Report for the year ended 31 December 2022 are prepared and measured, in all material respects, in accordance with managements defined reporting criteria.

Where inaccuracies were identified, the Integrated Report was corrected and actions have been taken by management, or are underway to strengthen the controls over the reporting processes, with progress being tracked to completion.

Board committee details as at 31 December 2022

Board committee details **reflect membership as at 31 December 2022**, as these were the individuals charged with governance for the period under review and accountable for the decisions and oversight during 2022. However, the Board and Executive Committee details on page 83 reflect the composition as of the date of this report's approval, 23 March 2023.

The following legend and changes apply to the tables as presented on pages 114 to 116.

ED	Executive director	ID	Independent director	CCO	Chief Credit Officer
ExCo	Executive Committee	LID	Lead independent director	CIA	Chief Internal Auditor
IC	Independent chairman	NED	Non-executive director		

Directors' Affairs Committee (DAC)	Remuneration Committee (RemCo)	Board Finance Committee (BFC)
Group Audit and Compliance Committee (GACC)	Social, Sustainability and Ethics Committee (SSEC)	Group Credit Risk Committee (GCRC)
Group Risk and Capital Management Committee (GRCMC)	Information Technology Committee (ITC)	Models Committee (MC)

Changes in 2022 (ordered by date)

31 Jan	Mark Merson – Resigns from the Board as a member of DAC, GRCMC, BFC and GCRC. He was Chairman of the GRCMC and the GCRC.	1 Apr	Sello Moloko – Becomes Chairman of the Board and DAC chairman and a attendee to GCRC.
1 Feb	René van Wyk – Joins DAC, and becomes chairman of GRCMC and GCRC.	26 Apr	Thabo Mashaba – Joins RemCo as an attendee.
1 Feb	Chief Credit Officer change from Anthony Harvett to Rautie Nel – Membership to GCRC transfers.	4 May	Thabo Mashaba – Joins SSEC as attendee.
8 Feb	Nonhlanhla Mjoli-Mncube - Appointed as Lead Independent Director. Joins DAC as a member.	19 May	Parin Gokaldas, Treasurer Group – Appointed as a mandatory attendee to the GRCMC.
8 Feb	Rose Keanly – Appointed as chairman of the RemCo, joins DAC as member, resigns as member of GRCMC.	1 Jul	Nonhlanhla Mjoli-Mncube – Appointed as a member of the GCRC and took over the chairmanship of the BFC from René van Wyk.
29 Mar	Arrie Rautenbach – Appointed as Group CEO. Joins DAC as an attendee. Joins SSEC as a member (from an attendee), ITC and GCRC.	1 Jul	John Cummins – Appointed as a member of the ITC.
29 Mar	Punki Modise – Steps down as Executive Director and DAC, RemCo, and BFC attendee, no longer member of GRCMC and GCRC nor attendee of GACC.	25 Jul	Punki Modise – Steps down as member from ITC.
29 Mar	Jason Quinn – Interim CEO until 29 March 2022, after which Jason resumes his role as Group FD. Becomes an attendee to SSEC (from member).	27 Jul	Jason Quinn – Exits SSEC as a attendee. Faisal Mkhize joins as a attendee.
30 Mar	Arrie Rautenbach – Becomes a member of the GRCMC, GCRC, ITC and SSEC with immediate effect. Becomes attendee to BFC.	1 Aug	Geoffrey Lee and Cowyk Fox – Join ITC as a attendees.
30 Mar	Jason Quinn – Becomes an attendee of the SSEC and remains a member of the GRCMC, GCRC and ITC, as well as the chairman of the MC.	12 Aug	Arrie Rautenbach and Punki Modise – Steps down as members from MC. Geoffrey Lee and Cowyk Fox – Join as members.
31 Mar	Wendy Lucas-Bull – Retired from the Board and all committees.		

Executive Committee (ExCo)

Arrie Rautenbach	Group Chief Executive Officer	Saviour Chibiya	Group Executive: Africa Regional Operations
Jason Quinn	Group Financial Director	Deon Raju	Group Chief Risk Officer
Punki Modise	Group Chief Strategy and Sustainability Officer	Akash Singh	Group Chief Compliance Officer
Charles Russon	Chief Executive: Corporate and Investment Bank	Wilhelm Krige	Interim Group Chief Information and Technology Officer
Cowyk Fox	Group Executive: Everyday Banking	Thabo Mashaba	Interim Group People Officer
Geoffrey Lee	Group Executive: Product Solutions Cluster	Prabashni Naidoo	Group Chief Internal Auditor (*ex officio* attendee)
Faisal Mkhize	Group Executive: Relationship Banking		

Board committee details as at 31 December 2022 continued

Directors' Affairs Committee

Assists the Board in establishing and maintaining appropriate corporate governance aligned with King IV, the corporate governance provisions of the Banks Act and other relevant regulations for the Group and material subsidiaries. This includes composition and continuity of the Board and its committees; the induction of new Board members; director training and skills development; director independence and directors' conflicts and disclosures of interests; effectiveness evaluation of the Board and its committees, reviewing and proposing governing policies; monitoring the governing structures of subsidiary entities and considering matters of regulatory and reputational risk.

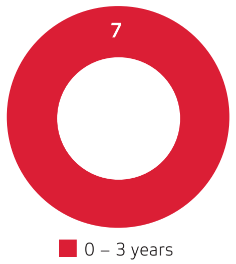
Members

ID Alex Darko
ID Francis Okomo-Okello
ID Nonhlanhla Mjoli-Mncube
ID René van Wyk
ID Rose Keanly
ID Sello Moloko (Chairman)
ID Tasneem Abdool-Samad

Attendees

ED Arrie Rautenbach
ED Jason Quinn

Committee tenure



Group Audit and Compliance Committee

Is accountable for the annual financial statements, accounting policies and reports; and overseeing the quality and integrity of the Group's integrated reporting. It is the primary forum for engagement with internal and external audit and operational risk. The committee monitors the Group's internal control and compliance environment. The committee recommends the appointment of external auditors to the Board and shareholders.

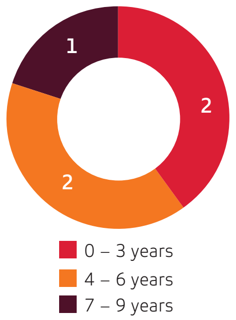
Members

ID Alex Darko
ID Daisy Naidoo
ID René van Wyk
ID Swithin Munyantwali
ID Tasneem Abdool-Samad (Chairman)

Attendees

ExCo Akash Singh
ED Arrie Rautenbach
ExCo Deon Raju
ED Jason Quinn
CIA Prabashni Naidoo

Committee tenure



Group Risk and Capital Management Committee

Assists the Board in overseeing the risk, capital and liquidity management of the Group by reviewing and monitoring (i) the Group's risk profile against its set risk appetite; (ii) its capital, funding and liquidity positions, including in terms of applicable regulations; and (iii) the implementation of the Enterprise Risk Management Framework and the eight principal risks defined therein. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital, funding and liquidity management in all relevant jurisdictions.

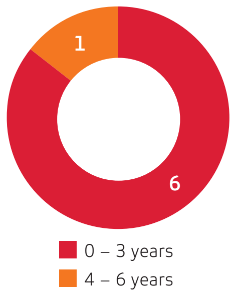
Members

ED Arrie Rautenbach
NED Fulvio Tonelli
ED Jason Quinn
ID John Cummins
ID René van Wyk (Chairman)
ID Sello Moloko
ID Tasneem Abdool-Samad

Attendees

ExCo Akash Singh
ExCo Deon Raju
CIA Prabashni Naidoo

Committee tenure



Remuneration Committee

Sets and oversees the implementation of the Group's Remuneration Policy principles to deliver fair and responsible remuneration aligned with current and emerging market practice, to meet regulatory and corporate governance requirements and to align the behaviour of executives with the strategic direction of the Group. It approves the total remuneration spend, including fixed remuneration, short-term and long-term incentives, any other remuneration arrangements, and the particulars of a defined senior population. It also considers and approves the Group's remuneration disclosure policies and ensures that disclosures are accessible, understandable, accurate, complete and transparent; and that the Group remunerates fairly and responsibly in the context of overall employee remuneration, focusing on remuneration differentials.

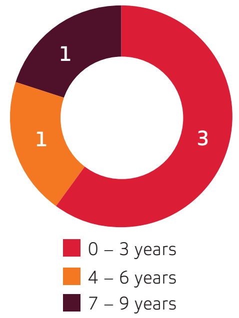
Members

ID Alex Darko
ID Daisy Naidoo
ID Ihron Rensburg
ID Rose Keanly (Chairman)
ID Sello Moloko

Attendees

ED Jason Quinn
ED Arrie Rautenbach
ExCo Thabo Mashaba

Committee tenure



Social, Sustainability and Ethics Committee

Monitors key organisational health indicators relating to social and economic development; responsible corporate citizenship; the environment, health and public safety; labour and employment; conduct and ethics; consumer relationships; stakeholder management and transformation; as well as the Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment. It applies the recommended practices and regulations as outlined in King IV and the Companies Act in executing its mandate.

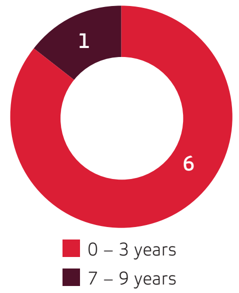
Members

ED Arrie Rautenbach
ID Francis Okomo-Okello (Chairman)
ID Ihron Rensburg
ID Nonhlanhla Mjoli-Mncube
ID Rose Keanly
ID Sello Moloko
ID Swithin Munyantwali

Attendees

ExCo Akash Singh
ExCo Faisal Mkhize
ExCo Saviour Chibiya
ExCo Charles Russon
ExCo Punki Modise
ExCo Thabo Mashaba

Committee tenure



Information Technology Committee

Assists the Board with effective oversight and governance of technology and information for Absa. King IV distinguishes between governance oversight of (i) the organisation's information assets, and (ii) the technology infrastructure used to generate, process and store that information. The focus is on resilience and stability; architecture; data management; security (cyber and other), and digitisation.

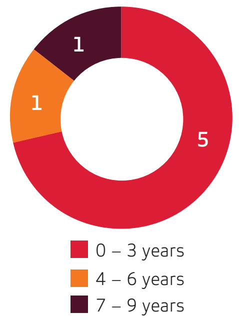
Members

ID Alex Darko (Chairman)
ED Arrie Rautenbach
NED Fulvio Tonelli
ED Jason Quinn
ID John Cummins
ID Rose Keanly
ExCo Wilhelm Krige

Attendees

ExCo Akash Singh
ExCo Charles Russon
ExCo Cowyk Fox
ExCo Deon Raju
ExCo Geoff Lee
CIA Prabashni Naidoo

Committee tenure



Board committee details as at 31 December 2022 continued

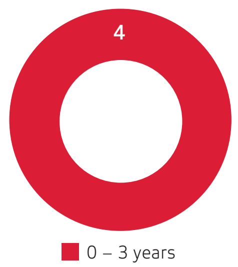
Board Finance Committee

Assists the Board in reviewing and approving certain levels of investment, outsourcing, acquisition and divestments within the committee's mandate; considers and recommends to the Board the short-term and medium-term financial plan underpinning the Group strategy; and considers and finalises the profit commentary as it relates to the interim and year-end financial results. It also approves the publication of dividend declarations within the parameters determined by the Board.

Members
NED Fulvio Tonelli
ID Nonhlanhla Mjoli-Mncube (Chairman)
NED René van Wyk
ID Tasneem Abdool-Samad

Attendees
ED Arrie Rautenbach
ED Jason Quinn

Committee tenure

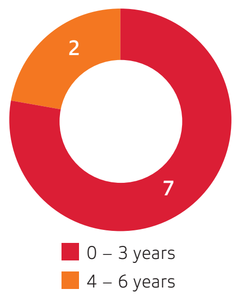


Group Credit Risk Committee

Considers and approves all significant exposures that exceed 10% of qualifying capital and reserves, including single-name exposures and key country and sovereign risk limits, with the credit risk appetite of the Group as approved by the Board from time to time. It also oversees credit risk and monitors industry, sector, and single-name concentration risks, trends and exposures.

Members
ED Arrie Rautenbach
ExCo Deon Raju
ID Daisy Naidoo
NED Fulvio Tonelli
ED Jason Quinn
ID John Cummins
ID Nonhlanhla Mjoli-Mncube
CCO Rautie Nel
ID René van Wyk (Chairman)

Committee tenure

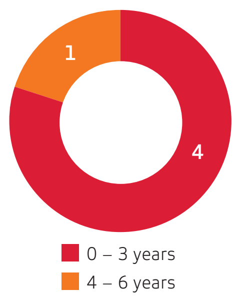


Models Committee

The Models Committee is the designated committee tasked with reviewing Absa Group's material models as required by the Prudential Authority.

Members
ExCo Charles Russon
ExCo Cowyk Fox
ExCo Deon Raju
ExCo Geoffrey Lee
ED Jason Quinn (Chairman)

Committee tenure



Abbreviations and glossary

AGM	Annual general meeting
AIC	African Indian Coloured
ANC	African National Congress
ARO	Absa Regional Operations
ATM	Automatic Teller Machine
AVAF	Absa vehicle and asset finance
AWS	Amazon Web Services
BASA	Banking Association of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BFC	Board Finance Committee
Bps	Basis points
CAF	Commercial Asset Finance
CET	Common Equity Tier 1 capital
CIB	Corporate and Investment Bank
CPF	Commercial Property Finance
CTI	Cost-to-income
DAC	Directors' Affairs Committee
DTI	Diversity, transformation, and inclusion
EMEA	Europe, Middle East and Africa
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
ESMS	Environmental Social Management System
Financial capital	The pool of funds that is available to an organisation for use in the production of goods or the provision of services obtained through financing, such as debt, equity or grants, or generated through operations or investments.
GACC	Group Audit and Compliance Committee
GCRC	Group Credit Risk Committee
GDP	Gross domestic product
GRCMC	Group Risk and Capital Management Committee
Human capital	People's competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for an organisation's governance framework, risk management approach, and ethical values, ability to understand, develop and implement an organisation's strategy and loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.
IFCs	Internal financial controls
IMF	International Monetary Fund
Intellectual capital	Organisational, knowledge-based intangibles, including Intellectual property, such as patents, copyrights, software, rights, and licences and "organisational capital" such as tacit knowledge, systems, procedures, and protocols.
IFRS	International Financial Reporting Standards
ITC	Information Technology Committee
JSE	Johannesburg Stock Exchange
LGBT+	Lesbian, gay, bisexual, transgender and many other gender and sexual identities
Manufactured capital	Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including buildings, equipment and infrastructure (such as roads, ports, bridges, and waste and water treatment plants).
MC	Models Committee
MEST	Meltwater Entrepreneurial School of Technology
Natural capital	All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. It includes air, water, land, minerals and forests, biodiversity and ecosystem health.
NIR	Non-Interest Revenue
NPS	Net promoter score
PA	Prudential Authority
POPIA	Protection of Personal Information Act
PoS	Point-of-sale
PRB	Principles for Responsible Banking
PSC	Product Solutions Cluster
QR	Quick Response
RB	Relationship Banking
RBB	Retail and Business Banking
REIPPP	Renewable Energy Independent Power Producer Procurement
RemCo	Remuneration Committee
RICM	Risk and Issue Classification Matrix
RMCP	Risk Management and Compliance Programme
RoE	Return on equity
ROI	Return on interest

Abbreviations and glossary continued

SA	South Africa
SFIF	Sustainable Finance Issuance Framework
Six capitals	The capitals identified by the International Integrated Reporting Framework, 2021 are: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. Together they represent stores of value that are the basis of an organisation's value creation.
SME	Small and medium-sized enterprises
Social and relationship capital	The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective wellbeing. Social and relationship capital includes shared norms, and common values and behaviours, key stakeholder relationships, and the trust and willingness to engage that an organisation has developed and strives to build and protect with external stakeholders, intangibles associated with the brand and reputation that an organisation has developed and an organisation's social licence to operate.
SSEC	Social, Sustainability and Ethics Committee
STI	Short-term incentive
TCF	Treating customers fairly
UK	United Kingdom
US	United States
USSD	Unstructured Supplementary Service Data
VAF	Vehicle and Asset Finance

Shareholder diary and information

Shareholder diary

Financial year end	31 December 2022
Annual General Meeting[1]	2 June 2023 [1] Subject to change.
Dividend declaration date	13 March 2023
Last day to trade	18 April 2023
Ex-dividend date	19 April 2023
Record date	21 April 2023
Payment date	24 April 2023

www.absa.africa

Contact information

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JSE share code: ABG
ISIN: ZAE000255915

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