Absa Group Limited

Integrated Report 2023
A value creation story ...

Absa Group Limited Integrated Report (IR) 2023

At Absa, we are more than a bank; we are a united Pan-African team inspired by our shared purpose: Empowering Africa's tomorrow, together ... one story at a time. It is this purpose that guides us every day, helps us create value, manage and grow our business, partner with our clients to help them achieve their aspirations, and how we impact the communities and environments we operate in.

One of the pillars in our ***medium-term strategy*** focuses on what it means to be an active force for good in everything we do. This commitment inspires our continued sponsorship of the ***Absa L'Atelier*** art competition, which gives aspiring artists a global stage. In celebration of these breakthrough artists, we are using our corporate reports as a vehicle to showcase this continental shift towards creativity.

How value is perceived by different stakeholders varies, similar to how the meaning and beauty of art are in the eye of the beholder. This Absa Group Limited (Absa or the Group) Integrated Report tells our holistic value creation story to investors. It highlights how our strategy, governance, performance, and prospects lead to the creation of value over time.

It demonstrates how we integrate considerations around prosperity, people, and the planet into our core business activities, examine our external environment and take a holistic view of factors that create or erode 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 the short[1]-, medium[2]- and long[3]-term outcomes, fundamental to our ability to create value sustainably over time.

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

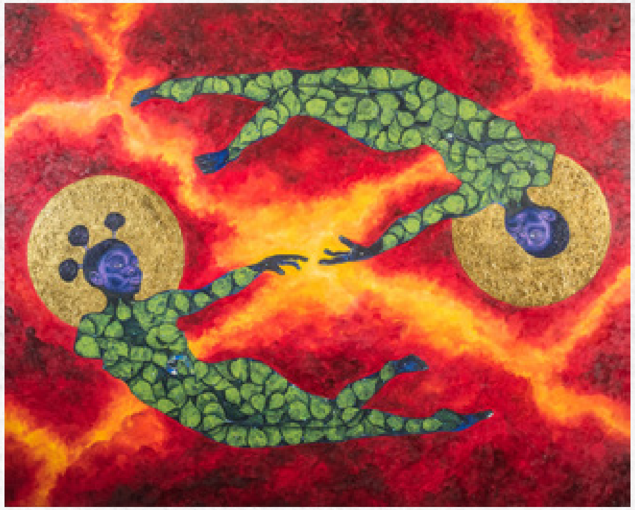
Raji Bamidele

2019 Absa L'Atelier
Ambassador Nigeria

Scan to view the artist's full portfolio

Raji Bamidele is a self-taught, multifaceted artist (born in 1994). Through his art, Bamidele, delves into the interplay of natural laws, mythology, philosophical beliefs, and scientific principles while calling into question the existence of time and being. His focus is on the resilience of the human spirit and the concept of dualism, which forms the core of the world that he envisions. He invites viewers to contemplate their place within the grand tapestry of existence.

Featured artwork: Of Resting and idea



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Our value creation story to investors . . .

At Absa, we're more than a bank; we are a united Pan-African team that is inspired by our shared purpose:

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

This purpose guides us every day – helps us create value, manage and grow our business, partner with our clients to help them achieve their aspirations, and impact the communities and environments we operate in. It is this purpose that drives our long-term **ambition of being a leading Pan-African bank.** Our purpose, people, brand and culture set us apart.

Absa's values help shape our culture and guide our behaviour, influencing how our employees, clients and stakeholders feel about interacting with us. By creating an environment where everyone feels valued, empowered and supported, our people are able to live our purpose and values as co-owners of our culture and deliver on our ambition of outperformance.

Trust
We believe in ourselves and each other

Resourceful
We innovate for our colleagues, clients and communities

Stewardship
We take actions today that sustain our tomorrow

Inclusion
We are stronger together

Courage
We show up as our authentic selves to own our story

Organisational overview

Navigating the financial services sector can be complex given the volatility and uncertainty of the macro environment in which we operate. This dynamic landscape is influenced by internal and external factors, including geopolitical events, regulatory changes, climate and societal shifts, and economic uncertainties, presenting us with both challenges and opportunities.

External environment

Adapting our business model to external trends is essential to remain relevant and is necessary to win.

We create value as our capital stocks increase over time. While we use all six capitals in our value creation process, our business model is most reliant on financial and human capital, followed by intellectual and social and relationship capital, and, to a lesser extent, manufactured and natural capital. Despite not being a major consumer of natural capital, our leadership in sustainable finance allows us to generate significant natural capital value.

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

We generate competitive advantage through innovation, our unique insights and perspectives, and our ability to bring our products and services to 16 markets through our business units: Corporate and Investment Bank (CIB) Pan-Africa, Relationship Banking (RB), Everyday Banking (EB), Product Solutions Cluster (PSC) and Absa Regional Operations Retail and Business Banking (ARO RBB).

We provide payment services and a safe place to save and invest, funds for purchases and growth, financial and business support, protection against risk (insurance) and the management of business and financial risks.

Our business model outcomes also represent Sustainable Development Goal (SDG) contributions:

- Market-leading growth for shareholders
- The primary partner for our clients
- A digitally powered business
- The home of Africa's leading talent, where our people can bring their true selves to work and be a beacon of inclusion across the continent
- Making intergenerational wealth accessible to all
- A leader in sustainable finance
- A commitment to net zero by 2050
- Strong governance as a non-negotiable.

Business model

We recognise that the quality of our relationships with stakeholders impacts our ability to fulfil our purpose.

Clients | Regulators | Society | Investor community | Employees | Planet

R86.5 billion in total financial value distributed, with R18.3 billion to suppliers, R31.5 billion to employees, R10.3 billion to government, R12.3 billion to shareholders, R0.3 billion to our communities and R13.8 billion retained for growth. R42.6 billion in sustainability-linked financing towards climate and financial inclusion.

Stakeholders' needs and expectations

Our value creation story to investors . . . continued

With a keen understanding of how changes in our operating environment impact our business model, risk management and control, we set a directional ambition of outperformance through our medium-term strategy and resource allocation plans.

The specific risks and opportunities that affect our ability to create value over the short, medium and long term, as determined through our materiality determination process, are:

- Accelerating economic momentum
- Supporting social cohesion
- Climate change and a just transition
- Evolving employee value proposition.
- State-to-sector interconnectedness
- Digital dependencies and vulnerabilities
- Rising regulation

Our set risk appetite thresholds define the nature and amount of risk the Group is willing to take to achieve our strategic objectives.

Material matters

Our medium-term strategy

Financial performance has been adversely affected by headwinds in the operating environment, notably rapidly rising rates, hyper-inflation in Ghana and material currency fluctuations in Nigeria. This has resulted in muted earnings growth, a decline in return on equity (RoE) and elevated impairments in 2023. However, we have a resilient strategy and balance sheet which continues to support our medium-term financial ambitions.

Group Chairman's message | *Group Chief Executive Officer's message* | *Interim Group Financial Director's message*

Leading indicators supporting our confidence in sustainable long-term value creation are reflected in these positive trends in business fundamentals:

- **Diversification benefits:** The benefits of a well-diversified franchise across geography and product, where Africa regions' contribution to earnings has increased to 30% in 2023 (2022: 13.3%)
- **Earnings growth:** CIB (earnings up 23%) and ARO RBB (earnings up 27%), offsetting strain in SA consumer-facing business segments
- **Client focus:** Positive trends in client primacy and experience across the Group
- **Digital adoption:** Higher rates of digital usage supported by superior digital service availability
- **Employee proposition:** Enhanced employee experience outcomes and continued recognition as a Top Employer in Africa and and Forbes Top Women Friendly Companies, contributing to competitive advantage in the market
- **Leadership in sustainable finance:** Increased recognition, with R10.1 billion raised to benefit financial inclusion and R32.5 billion to benefit climate
- Overall **organisational health** indicators , which is a reflection of future performance, is trending upwards.

The value creation process is not static. Therefore, as part of a future-oriented mindset, we assess our Group's outlook.

Performance and *Outlook*

Sustainable performance is built on solid foundations and fair reward

Pay for sustainable performance

At Absa, our fair and responsible remuneration ambitions are framed within the context of our purpose and strategy. We aim to deliver fair, responsible and sustainable remuneration outcomes that are underpinned and informed by the consistent implementation of transformative and competitive people practices aligned with our broader sustainability commitments.

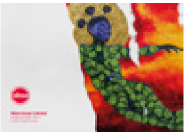
Our governance structures and practices aim to protect and preserve the value created. They lend oversight over an appropriate value creation process and inspire integrated thinking and decision-making.

We have a diverse Board that ranges 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.

Governance and RemCo Chairman's background statement

Reading this report

Absa Group Limited annual reporting suite 2023



This Integrated Report

A holistic account of value creation

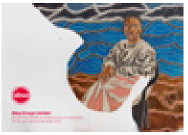
Materiality: Financial

Reporting on the subset of sustainability matters that are material for enterprise value creation

Dynamic thinking*

Financial and risk disclosures

Reporting on matters that are recognised in the financial performance, including assumptions and cash flow projections

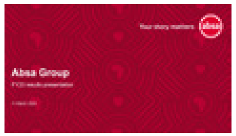


Annual Consolidated and Separate Financial Statements

Pillar 3 Risk Management Report

Financial Results Booklet

Notice of Annual General Meeting



Results Presentation

All the reports listed are available at *https://www.absa.africa/investor-relations/*. Comments or queries regarding these documents can be sent to *groupsec@absa.africa*.

Materiality: Financial

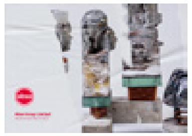
Environmental, social and governance (ESG) disclosures

Reporting on matters that reflect Absa's significant impacts on the economy, environment and people

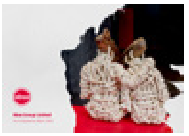
Sustainability Report

Climate Report

Principles for Responsible Banking Report



Remuneration Report



Tax Transparency Report

Broad-Based Black Economic Empowerment Report

Materiality: Double (financial + impact)

* Absa may have positive and/or negative impacts on prosperity, people and the planet. However, only a subset of these impacts, in turn, impact our business modelling and thereby create or erode enterprise value and influence returns to providers of financial capital (financial materiality). We therefore re-direct stakeholders in need of detailed sustainability impact disclosures to our *Sustainability Report*.

Reporting and assurance 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 1) Disclosure, 2) Social, Sustainability and Ethics, 3) Remuneration, 4) Directors' Affairs, 5) Group Audit and Compliance, 6) Information Technology, and 7) 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.

- Absa Internal Audit provided assurance over the *integrated reporting process*, selected metrics and qualitative information in the Integrated Report. Read the *Assurance statement from our Group Chief Internal Auditor*.
- PricewaterhouseCoopers Inc. and KPMG Inc. jointly audited our Absa 2023 annual financial statements. Note: This Integrated 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.
- Deloitte conducted limited assurance on select indicators as disclosed in the 2023 Sustainability Report. The selected sustainability information has been denoted with an "EA" within our *value over time*.
- Empowerdex verified our broad-based black economic empowerment (B-BBEE) rating. The scope and conclusions of these can be found on our website.

Reading this report continued

Integrated reporting scope and boundary

We aim to provide investors with a concise yet sufficiently informed view of value creation, preservation and erosion. The financial information reporting boundary is defined by control and significant influence over entities. 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 Absa Regional Operations (ARO) markets. This report covers the period from 1 January 2023 to 31 December 2023. Read the *basis of preparation and presentation* to understand nuances about reporting methodology (and changes thereto), forward-looking information and normalisation of results.

Materiality determination

This Integrated Report uses financial 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 (i.e., enterprise value) over the short, medium and long term. Our material matters as determined through *our materiality determination process* are:

- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition.

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 Disclosure Committee, on behalf of the Board, approved this report on 20 March 2024.

Alison Beck	Daisy Naidoo	Luisa Diogo	Rose Keanly
Alpheus Mangale	Fulvio Tonelli	Nonhlanhla Mjoli-Mncube	Sello Moloko (Chairman)
Arrie Rautenbach	Ihron Rensburg	Peter Mageza	Tasneem Abdool-Samad
Chris Snyman	John Cummins	René van Wyk	

Navigational icons used in this report

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

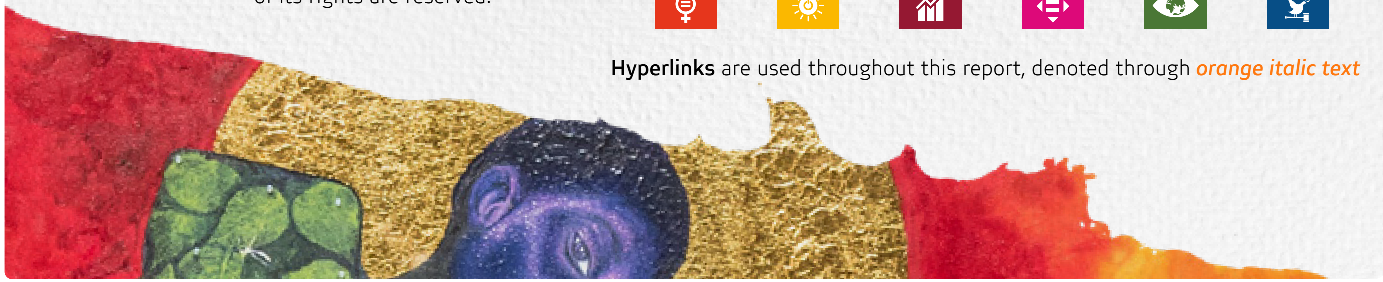
King IV statement We signpost statements by those charged with governance in line with King IV disclosure practices listed in the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV). Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its 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 | Social and relationship capital | Intellectual capital | Manufactured capital | Natural capital

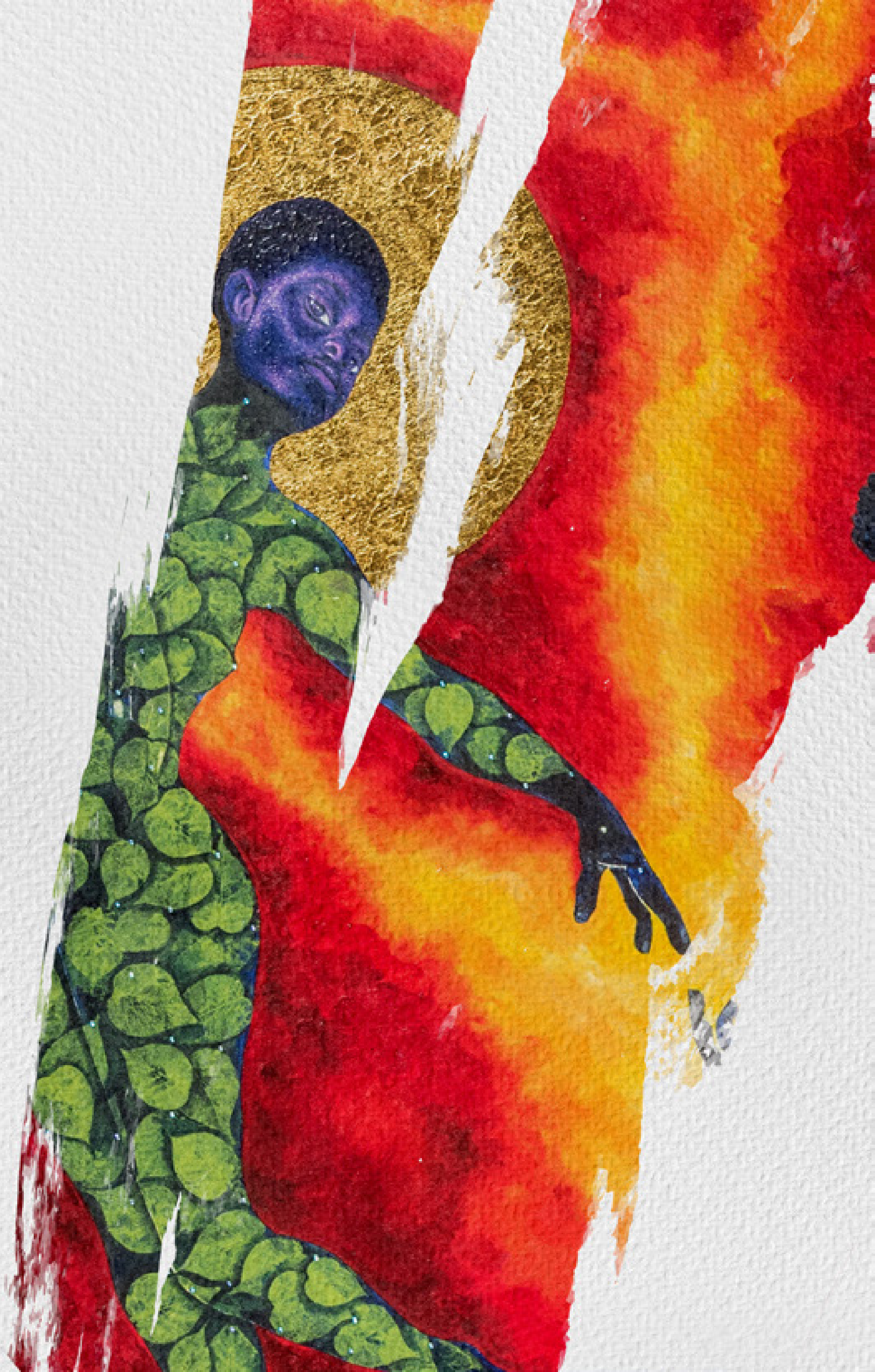
SDGs Absa Group's prioritised SDGs include:

Hyperlinks are used throughout this report, denoted through *orange italic text*



[1] International Financial Reporting Standards (IFRS) Foundation Integrated Reporting Framework (2021).

Your story matters – Absa



Absa at a glance

Absa Group Limited is one of the continent's largest diversified financial services groups. We have operated in Africa for over 100 years and have our primary listing on the Johannesburg Stock Exchange (JSE) and a secondary listing on A2X.

Our values

Trust

Resourceful

Stewardship

Inclusion

Courage

Our purpose

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

Our ambition

To be a leading Pan-African bank

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

R146.4bn market capitalisation

R20.9bn headline earnings
SA: R14.6bn | ARO: R6.3bn

16 countries

6 410 ATMs

R1 321bn gross loans and advances

12.2 million clients

1 010 outlets

3.8 million digitally active customers

R1 340bn total deposits

37 107 employees

131 546 point-of-sale (PoS) devices

Listing on JSE, A2X

Country[1]	Employees	PoS	ATMs	Outlets	Founded
Botswana	1 090	5 519	116	34	1950
Ghana	1 200	1 474	166	60	1917
Kenya	2 333	10 548	256	83	1916
Mauritius	782	1 702	41	12	1919
Mozambique	818	1 675	93	45	2002
Seychelles	270	2 041	22	6	1959
South Africa	27 085	101 589	5 250	618	1888
Tanzania[2]	1 587	1 657	252	77	1945
Uganda	926	2 396	93	39	1927
Zambia	805	2 945	121	36	1918

Representative offices
- Namibia[3] – 1 employee
- Nigeria[3] – 13 employees

Technology support
- Czech Republic[4] – 148 employees

General advisory support
- People's Republic of China[5] – 0 employees

Securities entities
- UK[6] – 36 employees
- USA[6] – 13 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 in 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] Non-banking subsidiary providing general advisory services to clients based in China for concluding transactions in South Africa and across the African continent.
[6] Securities entity.

Absa at a glance continued

Our structure, products and services[1]

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. We understand how our products and services meet our clients' needs.

Corporate and Investment Bank (CIB)

Products and services

- Corporate Bank: Cash Management and Trade Working Capital
- Investment Bank: Global Markets, Investment Banking Division, Commercial Property Finance, Private Equity and Infrastructure Investments.

Areas of differentiation

- Over 100 years of experience on the 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
- Leading in equities and forex (FX) trading technology
- Fixed income and foreign exchange market maker
- Transactional banking platforms in all our markets
- Sector expertise and thought leadership across several key sectors, driving African economies.

Absa Regional Operations RBB (ARO RBB)

Products and services

- Retail Banking: Premier, Prestige, Personal, and Inclusive segments
- Business Banking: Small and medium-sized enterprises (SMEs) and Commercial segments
- Insurance: Life Insurance, and Non-life Insurance.

Areas of differentiation

- With over 100 years in our markets, we maintain a loyal universal client base
- Award winning digital and payment offerings and services
- Well-established branch presence in all major cities, and growing agency banking network supported by digital servicing capability
- Playing our role in sustainability by supporting SMEs and our inclusive client base through instant, digital micro loans.

Product Solutions Cluster (PSC)

Products and services

- Home Loans
- Vehicle and Asset Finance
- Insurance SA:
  - Life Insurance
  - Non-Life Insurance
- Non-banking Financial Service: Financial planning, stockbroking and portfolio management, estate planning solutions and management of Sanlam Investment Holding distribution agreement.

Areas of differentiation

- Comprehensive suite of residential property and vehicle finance solutions
- Robust credit and collections capability, providing solutions for clients experiencing financial distress
- An effective and seamless bancassurance model integrated into the broader franchise, and an accomplished advisory capability
- Strong and established industry partnerships across our ecosystems
- Award-winning client experience in Life Insurance
- Well established and market leading Trust business.

Relationship Banking (RB)

Products and services

- Business Bank: Commercial, SMEs
- Commercial Asset Finance, Commercial Property Finance, Term Lending, Absa Vehicle Management Services, Islamic Banking, Acquiring, Cash Management, General Banking Solutions, Commercial Issuing.
- Private Wealth Banking.

Areas of differentiation

- Sector expertise and thought leadership across several key sectors (including manufacturing, transport and logistics, renewable energy, public sector, wholesale, retail and franchise and enterprise development)
- Leading industry expertise and financier in agriculture
- Propositions include both banking and non-banking solutions
- Payments acceptance processes greater than 40% of the value and volume of transactions acquired in the South African market
- Wealth creation through personalised conversations and advice
- Bespoke solutions that assist clients in growing their businesses
- Award-winning Islamic Banking proposition.

Everyday Banking (EB)

Products and services

- Personal Loans
- Credit Card
- Transactional Banking and Deposits.

Areas of differentiation

- Significant client base across all segments
- Full suite of products and services to cater for clients' daily banking needs
- World-class digital payment offerings
- Comprehensive digital banking proposition allowing clients to perform all banking activities digitally
- World-class digital safety features providing peace of mind to clients e.g., facial biometrics and digital warranties
- Free Rewards
- Easy access via digital banking complemented by a significant branch, contact centre and ATM network
- Personalised client engagement tailoring products and service offerings to unique client behaviours.

[1] Read the comprehensive business profiles in our *Results booklet 2023*.

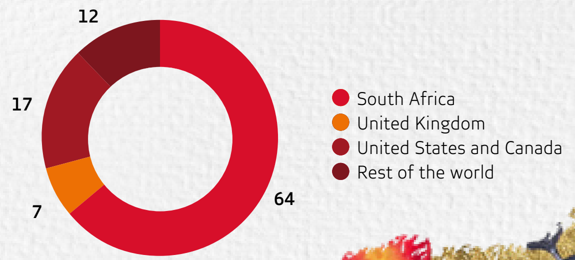
Absa at a glance continued

Our investor base

Our 894.4 million issued shares are held by a diverse shareholder base:

Top 10 shareholders by %	2023	2022
Newshelf 1405 Limited (SA)	**7.00**	1.89
Public Investment Corporation (SA)	**5.14**	4.89
M&G (SA, UK)	**5.06**	5.02
Blackrock Incorporated (US, UK, JP, AU, CA)	**4.57**	4.40
Ninety One (SA)	**3.91**	5,25
CitiGroup Global Markets (SA)	**3.88**	4.01
The Vanguard Group (US, AU)	**3.73**	3.90
Investec Securities (SA)	**3.35**	3.16
Sanlam Investment Management (SA)	**3.27**	3.14
Old Mutual (SA)	**3.26**	5.18
Other	**56.88**	59.16

Geographic split of shareholders (%)



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[1]	Gross domestic product (GDP)[2] (USDbn)	GDP growth[2] (%)	Population[2] (million)	Banking revenue pool[3] (Rbn)	Number of banks[3]	% of total banking revenue held by top five banks[3]	Absa relative to peers[4]: Rank by income	RoE	Cost-to-income (CTI)
Botswana	20.4	5.8	2.6	11.1	10	85.9	2nd	2nd	2nd
Ghana	72.8	3.2	33.5	42.3	27	43.9	3rd	3rd	1st
Kenya	113.4	4.8	54	81.8	39	58.3	5th	3rd	3rd
Mauritius	12.9	8.7	1.3	18.0	20	88.5	3rd	5th	4th
Mozambique	17.9	4.1	33	23.0	20	79.1	4th	4th	4th
Seychelles	1.6	8.8	0.1	1.9	7	97.7	1st	3rd	4th
South Africa[4]	405.9	2	60	408	45	82	3rd	5th	5th
Tanzania[5]	75.7	4.6	65.5	33.5	40	68.8	3rd	4th	4th
Uganda	45.6	4.7	47.2	22.8	27	59.5	4th	3rd	3rd
Zambia	29.8	4.7	20	17.0	17	69.2	3rd	1st	1st

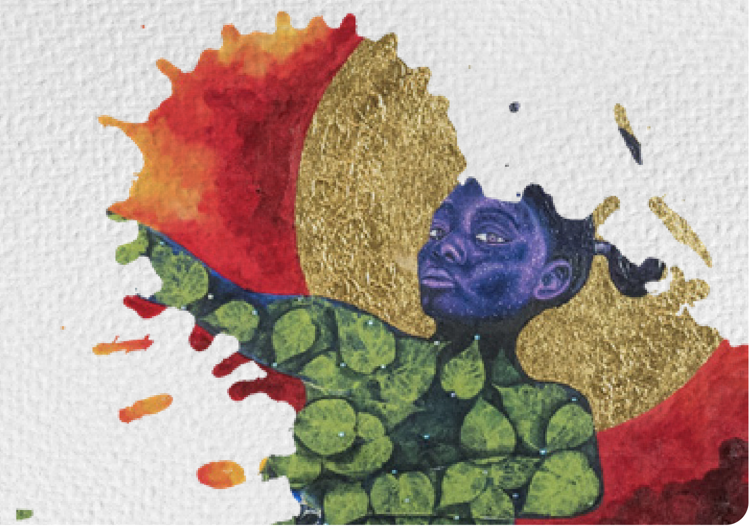
[1] South Africa based on 2023 financial results, with the balance of geographies based on 2022 financial results.
[2] Source: GDP, GDP growth and population statistics from *https://databank.worldbank.org/indicator/NY.GDP.MKTP.CD/1ff4a498/Popular-Indicators*.
[3] Source: BankFocus estimates.
[4] The banking revenue pool, number of banks and percentage of revenue held by the top five banks were extracted from BankFocus on 22 March 2024. The peers include Standard Bank of South Africa Limited, FirstRand Bank Limited, Nedbank Limited and Capitec Bank Limited. Absa, i.e. Absa Bank Limited's ranking relative to peers is that amongst the top five banks based on banking revenue.
[5] Absa Bank Tanzania and NBC combined.

Empowering Africa’s tomorrow – our strategic intent

Group Chairman's message

Sello Moloko
Group Chairman

> Being a truly Pan-African financial service provider is critical to achieving our growth ambitions.



Operating context

The global economy continued to face headwinds in 2023, as geopolitical tensions in Eastern Europe and the Middle East dominated, Chinese growth recovery disappointed and inflation remained elevated for longer than anticipated.

The failure of several regional banks in the United States and a major one in Europe briefly stoked fears of another global financial crisis but authorities' swift and decisive action contained the threat.

Economies across ARO are displaying increasing growth divergences, with East Africa showing better prospects than Southern Africa. While fiscal debt challenges, inflation, and cost of living crises persist, we are cautiously optimistic about longer-term growth prospects in our ARO markets.

The sovereign debt challenges we are seeing in some of the markets underscore the importance of sound financial management coupled with responsible and transparent borrowing in order to minimise the risk of debt distress.

The levels of uncertainty will remain elevated as a number of countries, including the United States, hold elections in 2024. In ARO, Botswana, Ghana etc. will go to the polls. In an environment of weak economic growth, the need for peaceful elections and uninterrupted economic activity is perhaps greater than before.

Growth in our largest market, South Africa, has faltered under the weight of power shortages and, more recently, increasingly disruptive logistics backlogs.

South Africa has little choice but to pursue private sector participation as part of the solution to our challenges. The efforts towards private sector participation in ports and rail networks and the establishment of the National Transmission Company are encouraging steps.

As Absa, we have demonstrated our ability to navigate challenges and we are committed to contributing to the economic development in the countries in which we operate in a responsible manner and as a trusted primary partner to our clients.

Being a truly Pan-African financial service provider is critical to achieving our growth ambitions. The continent presents several growth prospects and opportunities to diversify our revenue streams while reducing market-specific risk.

Absa in 2023

Absa Group has been through a significant and transformative journey over the last few years and the organisation has built a solid foundation for further growth.

We have enhanced engagement with the leadership team through more regular interactions on strategic matters throughout the year. Our view as the Board is that we have a clear and appropriate strategy in place and that the management team has executed against the strategy during the year under review, notwithstanding the challenging macroeconomic environment.

Our key focus on improving primacy and regaining market share is bearing fruit as evidenced by the positive trends in customer and deposit growth.

While we have seen pressure in the South Africa business, this is balanced by the benefits of diversification, with strong revenue and earnings growth from both ARO and our CIB unit.

As a multitude of global and local challenges impacted both consumers and sovereigns, as a Board, we are using available mechanisms to ensure we exercise appropriate oversight over the management of these portfolios.

We unveiled our new values and behaviours, signifying the importance we place on being a purpose-driven organisation. Importantly, the values we have articulated will promote an ethical culture across the organisation.

The Board has been especially pleased by the progress we have seen in organisational health metrics, which show improvements in the level of participation in the employee engagement survey, as well as measures of employee engagement and experience.

Key metrics of diversity and inclusion also show progress. The representation of women in leadership is improving and remains a key area of focus for us, given the societal context, especially in our continent.

Group Chairman's message continued

The launch of the B-BBEE scheme, including the eKhaya Colleague Share Scheme, was a highlight. The scheme recognises each employee as important in the execution of our strategy.

One of the focus areas for the Board in 2023 was overseeing the embedment of our Sustainability Framework in our operational activities as part of our commitment to being an active force for good in everything we do. It was encouraging to see progress on sustainability matters globally, in particular the loss and damage agreement reached at the COP28 in Dubai, which should lead to much-needed capital flow into Africa to support a just transition.

Board matters and executive changes

Swithin Munyantwali stepped off the board in March 2024, after four and a half years of commendable service. He will now be a senior advisor, supporting the bank to advance its growth ambitions in the African continent and our international offices in the US and the UK.

At the end of September, we bade farewell to Francis Okomo-Okello and Alex Darko who retired after serving on the Board for nine years. I am enormously grateful to them for their important and valuable contributions to the Board and its committees.

Francis brought significant wisdom to the Board and, as the Chairman of the SSEC, he played a critical role during the rebranding of Absa's subsidiaries across the continent in 2020.

Alex' sagacity guided greatly in navigating the separation process successfully and his contribution was invaluable during the large-scale upgrade of Absa's technology and banking platforms across the continent.

Ihron Rensburg, who has been a member of the SSEC since October 2019, replaced Francis as Chairman of the committee. Simultaneously, Peter Mageza replaced Alex as Chairman of the ITC, with effect from 1 October 2023.

In keeping with our Board succession plan, we appointed four new directors to strengthen the Board in the areas of banking, risk, technology and human resources.

- Alpheus Mangale joined the Board on 1 July 2023 and brings valuable banking technology experience to the Board.
- Peter Mageza joined on 1 August 2023. He is a seasoned banking executive with broad experience.
- Luisa Diogo became a director on 1 September 2023 and brings significant financial services and leadership pedigree to the Board.
- Alison Beck joined us on 1 December 2023. She brings strong financial risk expertise to the table.

With the departure of Jason Quinn as Group Financial Director, we appointed Chris Snyman on an interim basis and he will be a director on the Board while in that position.

Succession is an ongoing consideration at Board and management level. We are an employer of choice and are committed to investing in our talent in order to deepen our pool of potential leaders.

Conclusion

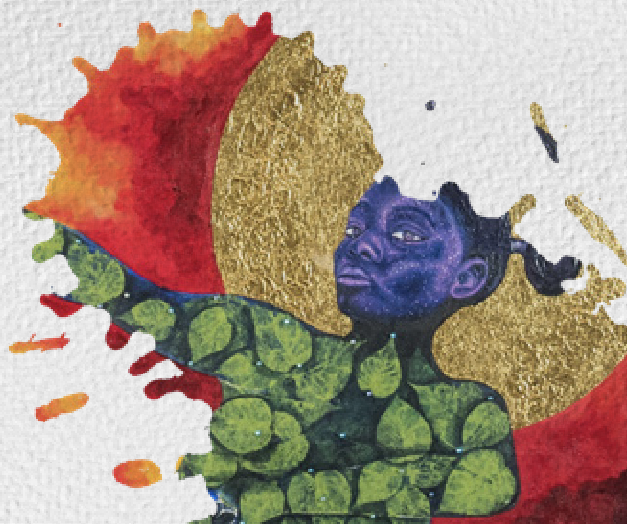
We are cognisant that we are operating in an environment that is turbulent with heightened volatility and uncertainty. As we look ahead, we remain confident in our strategy, with renewed focus aligned with our long-term ambitions and current operating environment.

The Board recognises that, in order to achieve our ambitions, the Group will need to be single-minded about execution. Our ability to navigate uncertainty will be critical as we go forward.

During my travels to several of our operating markets in 2023, I was inspired by the level of commitment I saw among our employees and management. I would like to thank all of them for their hard work, which enables us to sustain this business.

I am grateful to Arrie and the management team for leading by example, consistently demonstrating unwavering dedication to the task at hand, even in difficult conditions. The members of the Board have been equally committed to providing guidance and support, and I appreciate this. My appreciation also goes to all our stakeholders and partners who contribute to the success of this business.

> "Succession is an ongoing consideration at Board and management level. We are an employer of choice and are committed to investing in our talent in order to deepen our pool of potential leaders."



Our external environment in 2023

To maintain relevance and achieve success in the medium term, we respond to prevailing trends by continuously monitoring the horizon for strategic opportunities to execute our strategy and create value over time.

Geopolitical escalations and economic pessimism

Russia's conflict with Ukraine continued throughout the year, and geopolitical uncertainty was further heightened as the Middle-East conflict erupted while tension between China and Taiwan created a precarious flashpoint, with significant implications for international trade.

In the US, concerns over banking industry health briefly came to the fore with the failure of three smaller banks, while in Europe the failure of Credit Suisse resulted in the consolidation of the failed bank into UBS. There was no common theme between the various banking failures, muting concerns over early signs of a global banking crisis but adding to a downturn in economic optimism. Fuelling the downturn on a global scale was the sustained higher interest rates as a result of the prolonged period of elevated inflation levels. Advanced economies raised rates by more, and more quickly, than seen in decades in response to sharply higher inflation pressures.

Although fears that the tighter monetary conditions would result in a sharp slowdown, or even recession, in advanced economies, economic growth, labour markets and household spending generally held up well. Tighter financing conditions placed pressure on many emerging and developing markets, particularly those with substantial financing needs as the cost and availability of finance became less favourable.

A staggering 24 out of 28 countries recorded all-time lows in the number of people who believed their families would be better off in the next five years. This growing pessimism reflects the complex and uncertain international landscape during the year.[1]

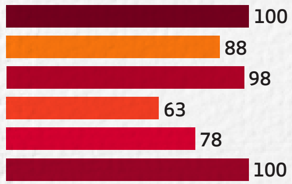
Against this backdrop, sub-Saharan Africa's economy is estimated by the International Monetary Fund (IMF) to have grown by 3.3% in 2023, just slightly slower than a year earlier. Several key economies have engaged with the IMF to implement crucial reforms, including fiscal consolidation and improved governance. The ongoing reforms, though challenging and growth-inhibiting in the short term, hold promise for long-term growth enhancements. Furthermore, energy sector advancements in various countries across the region have the potential to contribute positively.

We outline the dynamics of our five largest markets considering their macroeconomic indicators and country development in terms of market accessibility, openness and transparency as assessed on our Absa Financial Market Index. The Index measures over 40 indicators across six pillars.

Key
- Pillar 1 – Market depth
- Pillar 2 – Access to foreign exchange
- Pillar 3 – Market transparency, tax and regulatory environment
- Pillar 4 – Capital of local investors
- Pillar 5 – Macroeconomic environment and transparency
- Pillar 6 – Legal standards and enforceability

South Africa

(**88** overall score out of 100)



2023 macroeconomic forecasts[2]

Real GDP: **0.5%** | CPI[3]: **5.9%** | Average repo rate: **8.25%**

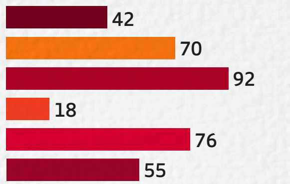
South Africa's economy was buffeted by a series of headwinds this year, including deteriorated logistics infrastructure performance, weakening terms of trade, sharply higher interest rates and, most significantly, severe electricity supply constraints.

The country's consumers faced increasing strain as the recovery in formal sector employment stalled, and wage growth lagged behind inflation. Rising debt-servicing costs further eroded household incomes, leading to consumer debt distress and subdued spending.

Absa forecasts real household consumption growth of 0.6% in 2023 (versus 2.5% in 2022). The Monetary Policy Committee implemented a series of additional interest rate hikes during 2023, reflecting a more vigilant stance in monetary policy. These decisions cumulatively added 125 basis points to the repo rate over 2023 and 475 basis points since November 2021. The rand ended the year at 18.36/USD, primarily due to moderating global market volatility and reduced bouts of load-shedding.

Kenya

(**59** overall score out of 100)



2023 macroeconomic forecasts[2]

Real GDP: **5.2%** | CPI: **7.7%** | Average repo rate: **12.5%**

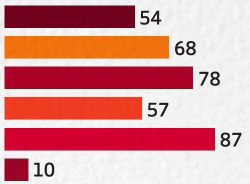
Kenya experienced positive economic growth despite elevated inflation due to high fuel prices, currency depreciation, food price pressures, and lingering debt sustainability risks. In addition, the government raised income and consumption taxes, which weighed on demand. The taxes are part of fiscal reforms required to improve revenue collection and sovereign risk but have negatively impacted customer affordability. Positively, the output in agriculture, mining, real estate, education, finance and insurance grew at a faster pace than originally expected. However, Kenya faced increased liquidity challenges as it struggled to access funding from financial markets.

[1] 2023 Edelman Trust Barometer Global Report.
[2] *Absa Economic Research Q1 2024*.
[3] Consumer Price Index.

Our external environment in 2023 continued

Botswana

(59 overall score out of 100)



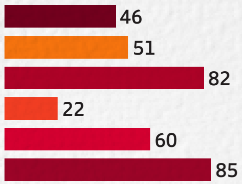
2023 macroeconomic forecasts[1]

Real GDP: 3.2% | CPI: 5.1% | Average repo rate: 2.4%

Botswana's economy was under pressure due to the deteriorating diamond sector, while drought across most of the country continued to hamper the agricultural sector's output. Inflation in Botswana neared the upper level of the target range set by the Bank of Botswana.

Ghana

(58 overall score out of 100)



2023 macroeconomic forecasts[1]

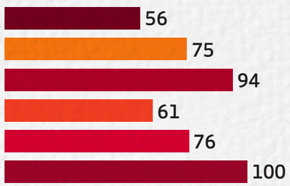
Real GDP: 2.6% | CPI: 39.2% | Average repo rate: 3.0%

Ghana's government embarked on deep structural reforms and frontloaded fiscal adjustments as required by the IMF to return the economy to macroeconomic stability and move it out of default, placing the economy on a more sustainable fiscal and debt trajectory.

The economy showed some recovery, driven by the agricultural and services sectors. However, the economic recovery has not been smooth amid ongoing macroeconomic imbalances. Inflation and policy rates have remained penally high throughout the year, while the cocoa sector continued to experience challenges.

Mauritius

(77 overall score out of 100)



2023 macroeconomic forecasts[1]

Real GDP: 4.9% | CPI: 7.0% | Average repo rate: 4.5%

Mauritius experienced an improvement in both sovereign and corporate credit ratings. Economic growth remains above pre-pandemic levels supported by tourism growth and robust expansion in construction, transport and administration activities. Moderated food and fuel prices supported declining consumer inflation.

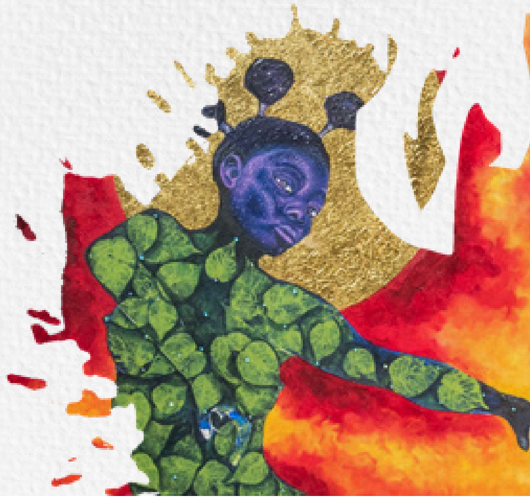
Digital disruption in finance and the rise of generative artificial intelligence (GenAI)

The financial services landscape is witnessing a transformative digital shift driven by technological advancements and evolving consumer demands. With fintech innovations, blockchain technology, the emergence of digital currencies, and the imminent arrival of quantum computing, traditional banking, investment, and insurance paradigms are being redefined. Moreover, adopting real-time analytics and cloud computing has refined operational efficiencies, amplified the client experience, and paved the way for personal services.

As boardrooms globally delve deeper into digital strategies, GenAI is increasingly becoming a central point of discussion. While these artificial intelligence (AI) models show extensive utility in various financial services segments, from risk management to client service to technology development, they also raise ethical and safety questions.

The inaugural AI Safety Summit in the United Kingdom brought together representatives from 28 countries, including the US, China, and the EU, to sign the Bletchley Declaration on AI safety. This agreement, aimed at managing the risks of frontier AI models, highlights the potential for serious harm that these technologies could pose, whether intentional or accidental.[2] The pressing challenge for financial institutions is not only to invest wisely and develop skills to leverage AI's opportunities but also to navigate its dual nature, ensuring the safe and ethical use of AI in alignment with global standards.

We routinely assess the impact of the external environment on the robustness of our business model and our operations, and our ability to execute our strategy, deliver our strategic objectives and create value over time.



1 *Absa Economic Research Q1 2024.*
2 Euronews, A world-first AI agreement.

Our external environment in 2023 continued

Banks at the forefront of sustainable finance amid climate challenges[1]

In 2023, sub-Saharan Africa grappled with severe climate challenges, such as the devastating Tropical Cyclone Freddy and widespread flooding across several countries, including South Africa, Ghana, and Tanzania. As a result of these escalating events, financial markets in the region are increasingly adopting climate practices. Key initiatives include the Central Bank of Kenya and Bank of Mauritius issuing climate risk management guidelines and South Africa's Reserve Bank incorporating climate change into its stress tests.

Banks can play a significant part in addressing climate change by integrating climate considerations into their strategies, shifting towards sustainable finance to support communities impacted by climate events and transitioning to a low-carbon economy.

The regulatory landscape significantly shapes businesses' sustainability strategies, responding to government, investor, and stakeholder pressures. Banks can spearhead the decarbonisation of the real economy amid the intricate dynamics of African markets through proactive collaboration with regulators and stakeholders. More than 20 countries in the Absa Africa Financial Market Index (AFMI) have some form of sustainability-linked financial policies. Currently, 20 of the 28 AFMI countries implement some form of sustainability initiatives (71%), up from 13 of the 23 countries covered in 2021 (57%).

Several advances in the international agreements at COP28 have implications for Africa's climate resilience and the continent's economies. In terms of limiting emissions, for the first time, a statement was made about the importance of transitioning away from all fossil fuels – and not just coal – towards alternative energy sources. This further underscores the importance of taking advantage of the opportunity in many African countries to accelerate the roll-out of renewables for which the continent has vast resources. The establishment of the Global Goal on Adaptation and the long-awaited agreement to establish the Loss and Damage Fund have the potential to support adaptation on the continent, thereby building the continent's resilience to climate change. The Parties also agreed to increase the coverage of Nationally Determined Contributions to cover all sectors, greenhouse gases and emissions. This will provide a basis for more decisive action on climate change in future.

As part of the conversation on transitions, COP28 focused on the financing elements of social transitions and the importance of partnerships and collaborations in driving climate finance in Africa. Financial institutions have been identified as crucial in accelerating decarbonisation efforts.

Business engagement in societal issues

As 2023 unfolded, the world confronted a mosaic of challenges that highlighted the interconnectedness of the global community. Poverty and inequality have seen concerning trends, particularly in regions like South Asia and sub-Saharan Africa. Extreme poverty in these regions has increased, rising to 10.5% and 35.4%, respectively, by September 2023.[2] Furthermore, geopolitical conflicts and crises drove more than 114 million[3] people to displacement by the end of September 2023, with conflicts in Ukraine and Sudan, the Democratic Republic of the Congo, and Myanmar being significant contributors. These challenges are compounded by a global economic slowdown, marked as the weakest since 2001, influenced by factors like geopolitical conflict, climate-related events, and erratic trade policies.[4]

This complex web of economic and social challenges has intensified the need for corporate entities to actively engage in societal issues. The 2023 Edelman Trust Barometer reflects this reality, highlighting a global sentiment for businesses to strengthen their involvement in societal matters. This call for increased involvement is mirrored in consumer and employee expectations – 63% of global consumers favour brands aligned with their beliefs, and 69% of employees weigh a company's societal impact heavily when considering job opportunities. This data underscores a pivotal shift in the business landscape, where societal alignment and corporate responsibility are paramount.

Navigating regulatory shifts amid emerging risks

Digitalisation and its ramifications are profoundly reshaping the African banking sector. The rise of fintech and next-generation banks in Africa introduces new regulatory challenges[5]. A Cambridge Centre for Alternative Finance study[6] revealed critical regulatory responses in sub-Saharan Africa, including a significant focus on cybersecurity and data protection. Financial consumer protection has also been enhanced, with 82% of jurisdictions implementing relevant measures. Moreover, there has been a significant increase in regulatory innovation, with the establishment of nine innovation offices and 10 regulatory sandboxes, fostering engagement with regulators and streamlining authorisation processes.

Banks can craft more robust regulatory frameworks through technology, fostering innovation and growth. A tech-driven approach to regulatory change offers higher levels of compliance while alleviating the cost burden of implementation.

Achieving frictionless cross-border payments in Africa is vital due to the importance of remittances, but existing platforms have not fully combined accessibility, affordability, and trust. With challenges from diverse banking infrastructures and regulatory frameworks, collaborative efforts between African governments and the private sector are essential for a seamless payment system.

High levels of FX regulatory scrutiny remain in certain ARO jurisdictions. Absa is committed to adhering to the FX Global Code and is proactively engaging with the respective central banks to reaffirm its adherence to market practice.

1 EY: Transforming the South African banking landscape: Eight emerging trends.
2 World Bank September 2023 Global Poverty Update.
3 UN News – Over 114 million displaced by war, violence worldwide.
4 Edelman 2023 Top Geopolitical Risks.
5 EY, Transforming the South African banking landscape: Eight emerging trends.
6 University of Cambridge, Fintech Regulation in Sub-Saharan Africa.

Our stakeholders' needs and expectations

Engagement and quality of relationships

The quality of our relationships with stakeholders impacts our ability to fulfil our purpose; therefore, various mechanisms are used to measure the quality of our relationships.

Key findings

Our commitment to stakeholder relationships has significantly enhanced our reputation, as corroborated by the latest GlobeScan[1] survey results. This positive trajectory is the strongest since the programme's initiation, reflecting a significant shift in engagement strategies and the quality of our conversations. This improvement can be attributed to successful alignment across the Group with our purpose, which is now perceptible in our work and communications. The synergy from this alignment has fostered a unified voice and consistent messaging, nurturing trust among stakeholders.

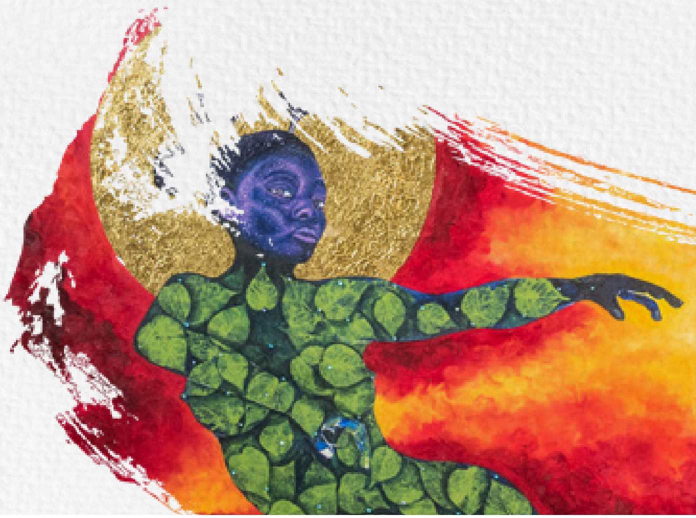
Looking across GlobeScan's key indicators, the survey highlighted that Absa has improved its position across all four, particularly in the realm of trust, marking a convergence of metrics that signifies an integrated approach to our reputation management. The narrowing variance across our operations, along with Absa being acknowledged as a leader in trust across several African markets, solidifies our status as a purpose-driven organisation. Our stakeholders now recognise Absa's contributions beyond banking; however, there is more work to be done to amplify our impact and ensure that our efforts in areas such as financial inclusion, education, thought leadership and environmental stewardship are fully recognised by all stakeholders.

Leadership was identified as the fulcrum for trust advancement. The survey underscores the necessity for our leaders to be more proactive and visible, engaging on relevant societal and sectoral issues. By enhancing the accessibility and engagement opportunities for Absa's leaders and empowering local leaders to share perspectives on issues pertinent to each market, we can further our mission of trust-building. This approach will also help us meet and exceed stakeholder expectations, accelerate trust growth, and affirm Absa's position as a leading Pan-African financial services provider committed to driving positive change across the continent.

Value creation index:	Stakeholder engagement index:	Thick trust index:	Active advocacy index:
▲ 74.2% (2022: 71.9%)	▲ 72% (2022: 69.7%)	▲ 75.2% (2022: 74%)	▲ 72.4% (2022: 71.8%)
All banks' average benchmark:	All banks' average benchmark:	All banks' average benchmark:	All banks' average benchmark:
73.6% (2022: 73%)	70.8% (2022: 69.2%)	69.9% (2022: 69.4%)	70.9% (2022: 70.7%)

783 stakeholder opinions across 10 countries, including government, business, media, non-governmental organisations and senior financial services and banking sector analysts on the sell and investment side.

We consider how our strategic actions affect our broader stakeholders. Our Absa culture creates trust, inspires innovation and aligns with our business partners and wider stakeholders. We recognise the critical interdependency between value creation, preservation and erosion across our resources and relationships.



[1] A global insights and advisory consultancy.

Our stakeholders' needs and expectations continued

Investor community

Who they are

- Over 56 503 local and international shareholders, including retail investors, asset managers, pension funds, sovereign wealth funds and corporate holdings
- Employees participating in the eKhaya share scheme
- Investment analysts
- Prospective investors
- Debt investors and credit rating agencies.

Needs and expectations

- Strong operational performance, including revenue, dividend and earnings growth and high returns
- Maintaining a solid balance sheet (well provisioned, strong capital and liquidity)
- Adequate, sustainable shareholder returns
- Sound risk management
- Transparent reporting and disclosures and effective communication
- Sound sustainability practices.

Our response

We effectively manage risk and create sustainable returns by:

- Ensuring Absa is well-diversified, by activity and geography
- Growing capital lite revenue
- Improving our productivity and operating efficiency
- Maintaining strong capital and funding levels to support growth.

Quality of relationship

Our ranking is based on total shareholder return of -8.7% in 2023, which is considerably lower than the 30% and 35% returns yielded in the preceding two years.

Clients

Who they are

- **Individuals:** Entry-level to high net-worth individuals, across all ages
- **Businesses:** Sole proprietors, SMEs, 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 client service and advice
- User-friendly and reliable systems and the ability to transact through their chosen platform
- Best practice safety measures for client wellbeing.

Our response

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

- Improving access to financial services and local, regional and global markets
- Deepening relationships 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.

Quality of relationship

We achieved 96 in our Group client experience index score, a weighted measurement at Group level based on client experience scores at individual business unit level. We exceeded our targeted score of 85 for 2023 and improved the score from 81 in 2022.

Our stakeholders' needs and expectations continued

Employees

Who they are

- 37 107 employees (South Africa 27 085; ARO 9 825; international 197)
- 60.6% women and 39.4% men
- 80.9% AIC[1] employees (South Africa)
- 50.5% below the age of 40 and 84.3% below the age of 50
- 16 recognised employee trade unions, covering 36.2% 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
- Flexible working hours and workspaces
- Fair and responsible pay, with market-related terms of employment, remuneration and benefits
- Training, development and career opportunities
- A safe workplace.

Our response

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

- Implementing the eKhaya Colleague Share Scheme
- 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.

Quality of relationship

Our employee experience index score improved to 71.5 in 2023, exceeding our targeted score of 70.

Regulators

Who they are

- **Regulators:** The Prudential Authority, Financial Sector Conduct Authority Financial Intelligence Centre, National Credit Regulator, Financial Services Board, Information Regulator, JSE 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 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 clients
- An ethical work environment
- Contribution to governmental development plans, national priorities, and the fiscus through fair tax payments.

Our response

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.

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

Quality of relationship

We seek to maintain appropriate relationships with regulators in our in-country operations. We see governance as a non-negotiable priority and aim to mitigate compliance risk, which includes risk of financial crime and conduct risk.

[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.

Our stakeholders' needs and expectations continued

Society

Who they are

- Individual citizens
- Communities
- Civil society organisations
- Non-governmental 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 sustainability agenda.

Our response

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 communities and society
- Supporting national development objectives and policies to stimulate inclusive growth, generating and distributing economic value.

Quality of relationship

Our ranking is based on the total economic value distributed to suppliers and communities. *Economic value* to suppliers increased to R18.3 billion and our community spend was R286 million in 2023.

The 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.

Our response

We seek to address climate change and play an active role in minimising pressure on nature's resources by:

- Committing to achieving a net zero state for scope 1, 2 and 3 emissions by 2050
- Supporting clients 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.

Quality of relationship

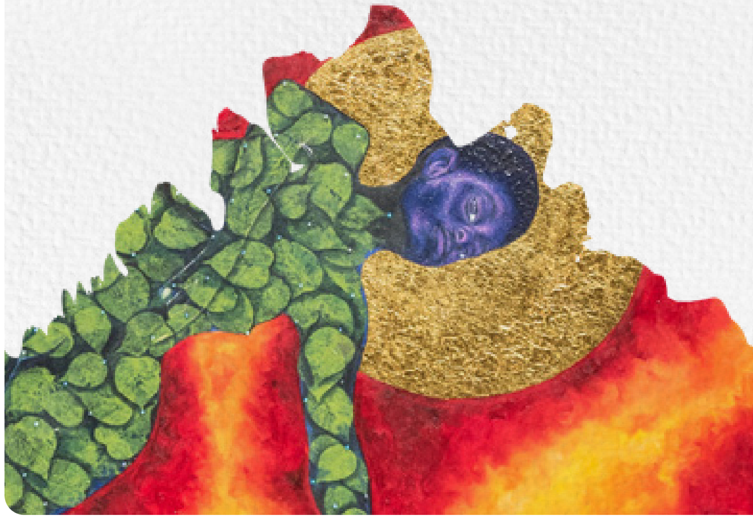
Sustainability-linked financing for climate reached R32.5 billion in 2023 up from R31.8 billion and R19.7 billion in 2022 and 2021.

Our stakeholders' needs and expectations continued

Economic value created and distributed

	2023 Rm	2022 Rm
Total income	104 530	96 792
+ Income from associates and joint ventures	200	137
- Impairments	(15 535)	(13 703)
- Other equity – Additional Tier 1 capital	(899)	(609)
- Non-controlling interest – Preference shares	(373)	(266)
- Non-controlling interest – Ordinary shares	(1 430)	(1 282)
= Total value available for distribution	86 493[LA]	81 069
Total economic value distributed	86 493[LA]	81 069
- Suppliers	18 291[LA]	17 072
- Communities	286[LA]	267
- Employees	31 515[LA]	27 823
- Government	10 305[LA]	10 090
- Investors	12 337[LA]	10 218
- Retained for reinvestment	13 759[LA]	15 599

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



[LA] Limited assurance.

Our 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:

- Recognise the importance of a strong risk culture, which is integral to the Group's culture
- Consider key (principal) risks, clear ownership and accountability, and Group-wide risk coverage
- Support the Group's strategy with a coherent risk management operating model and appropriate risk practices, tools and techniques
- Uphold the risk governance structure at Group, country, business and Group functions, with clear Board escalation and oversight
- Follow comprehensive and structured processes for evaluating, responding to and monitoring risks
- Oversee and manage Group-wide assurance through a combined assurance model with clear accountability across the three lines of defence.

We developed the risk strategy alongside the Group strategy. 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 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.

Our risk appetite is stated qualitatively in terms of risk principles and risk preferences and refers to the types of risk the Group actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk the Group is prepared to accept to achieve its business objectives is defined using a range of quantitative metrics relating to capital adequacy, earnings volatility, liquidity, and leverage. These are cascaded to the level of principal risk, legal entity, and business unit.

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.

We also routinely assess the impact of our business model, operations and strategy on the external environment.

Risks from our operating context

As disclosed in the *Group's Pillar 3 Risk Management Report* and *Results Booklet*, the risks arising from the operating context are tabled below, along with management responses. Number icons, e.g., (1) link the Pillar 3 disclosure to discussions of our *material matters*.

Macroeconomic risks remain heightened and are expected to continue impacting global markets and the outlook of the markets in which the Group operates. The Group's focus remains on proactive risk and capital management to positively position itself for changes in the operating environment. Risks are actively identified and prioritised, and our consolidated response is monitored to ensure effective implementation achieves the targeted result.

In an uncertain macro environment, stress testing and scenario analysis are critical tools in safeguarding financial stability and enhancing risk management practices. As the markets the Group operates in are facing volatility, these methodologies are deployed by the organisation to assess its resilience and susceptibility to adverse conditions. The knowledge gained from these exercises allows management to optimise capital and liquidity, adapt strategies, and ensure the Group is better equipped to navigate the ever-changing economic landscape.

Current and emerging risks[1]

(1) Geopolitical instability and conflict

Risk trend ▲ Ongoing polarisation of trade blocs impacts negatively on societies and economies and may evolve into countries having to choose between blocs. The risk of a global (or key markets) recession and/or persistently high inflation (and interest rates) may result in prolonged low growth and economic activity, including reduced trade and investment. Key 2024 elections globally (USA) and in Africa (South Africa, Botswana, Ghana, Mauritius, Mozambique) elevate uncertainty.	**Links to principal risk** • Credit • Market • Capital and liquidity • Strategic, sustainability and reputational.
Mitigation and opportunities • Constant monitoring and agile approach to positions • Preserve the Group's liquidity and capital • Diversification across markets and sectors mitigates impacts • Establishment of representative offices in trading corridors.	

[1] These risks have a material impact on the Group and have been identified through a prioritisation exercise, considering estimated severity and likelihood. The Group continually monitors and assesses the environment for other risks that may have potential impacts.

Our material matters continued

(2) Country/sovereign risk

Risk trend ▲

Heightened volatility may result in a deteriorating economic environment, impacting strategy through:

- Sustainability of debt pressures (repayments and refinancing)
- Central bank interventions to protect economies may have unintended consequences and negative impacts
- FX scarcity affects FX expatriation and increases hedging costs.

The inability to significantly diversify away from sovereign exposures, as a result of in-country regulations, may lead to large concentrations.

Mitigation and opportunities

- Refinement of Sovereign Trigger Framework and implement the revised Sovereign Concentration Risk Framework
- Ongoing enhancement of models to better understand the risk-reward trade-offs
- Continually monitor for concentration build-up for government employee lending
- Maintain relationships with hard currency generating clients
- Seek alternative high-quality assets to invest surplus deposits while maintaining presence and client offering
- Monitor and manage risk-considered opportunities for trading that may arise.

Links to principal risk

- Credit
- Market
- Capital and liquidity
- Strategic, sustainability and reputational.

(3) Consumer stress

Risk trend ▲

Ongoing stress faced by consumers due to high cost of living and the inability to recover due to weak local and global economics result in increased defaults and reduced lending and deposits growth and retention. Business and corporate clients may not be able to sustain current resilience.

Mitigation and opportunities

- Close monitoring of RB and CIB clients for signs of distress with early actions to mitigate
- Provide consumer support through debt reviews, interest holidays and forbearance offers
- Capture evolving risk through focused model updates
- Continue customer selection enhancement projects.

Links to principal risk

- Credit
- Capital and liquidity
- Insurance
- Strategic, sustainability and reputational
- Model
- Compliance.

(4) Operational resilience pressure

Risk trend ▲

Continuously evolving threats to operational resilience from deteriorating infrastructure (Eskom, Transnet), fraud, opportunistic crime, data loss and cyber-attacks, scarcity of skills and possible social unrest due to poor service delivery and exacerbated by elections/ineffective coalitions.

Mitigation and opportunities

- Continue resilience investments in critical processes and third-party risk management
- Capacitated converged security office to manage economic crime convergence
- Maintain successful cybersecurity testing
- Further develop crisis management scenario planning and testing.

Links to principal risk

- Capital and liquidity
- Insurance
- Strategic, sustainability and reputational
- Model
- Compliance.

Our material matters continued

(5) South African fiscus sustainability strain

Risk trend ▲

High uncertainty, low business and consumer confidence levels result in low investment rates, a reducing tax base (emigration, reduced economic activity) and increased fiscal weakness. Policy changes due to the election outcome could negatively impact the fiscus.

Mitigation and opportunities

- Monitor and manage South African sovereign risk
- Maintain regular industry bodies engagement to raise concerns and support change initiatives
- Participate in social initiatives to support consumers.

Links to principal risk

- Credit
- Market
- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience.

(6) Strategic, execution and business risks

Risk trend ▲

Constantly changing operating environment, combined with heightened volatility and challenging global and domestic conditions, and evolving client needs may impact strategy execution while potential adverse impact of large strategic change projects may result in poor delivery and resource strain.

Mitigation and opportunities

- Monitor and manage risk strategy and risk appetite to identify and mitigate risks as they arise, while supporting customers
- Govern change projects to ensure these are properly scoped, fully capacitated and closely monitored through senior oversight, including independent quality assurance
- Continue investing in delivering scalable digital solutions
- Strategically drive diversification across markets and sectors to mitigate impacts.

Links to principal risk

- Credit
- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience.

(7) Environmental risks

Risk trend ▲

Increasing pressure to integrate sustainability risk management practices with business activities due to stakeholder expectations. Challenges include the uncertain severity of the impact of climate and social change (including the developing El Nino pattern), along with emerging risk tied to greenwashing affecting investors, suppliers, and clients. Ensuring a just transition balancing environmental sustainability and social needs is increasingly important.

Mitigation and opportunities

- Reduce the Group's direct environmental footprint in line with its 2030 environmental action plan
- Embed processes to encourage clients to adopt business strategies and practices that align with the 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
- Define and implement a greenwashing policy.

Links to principal risk

- Credit
- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience
- Compliance.

(8) Increased compliance risk due to new and emerging regulations and oversight

Risk trend ◆

Increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets impact the current business model. Heightened scrutiny of regulators may require increased capacity to address additional matters.

Potential long-term impact of regulatory changes on business strategy and Group performance increase the need for regulator and industry capacity.

Mitigation and opportunities

- 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.

Links to principal risk

- Credit
- Market
- Capital and liquidity
- Insurance
- Strategic, sustainability and reputational
- Model
- Operational and resilience
- Compliance.

Our material matters continued

Materiality determination process[LA]

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*
- *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 Enterprise Risk Management Framework (ERMF) allows risk management and oversight to be appropriately cascaded within the Group.

3. Assessing the importance of a matter, taking into consideration:

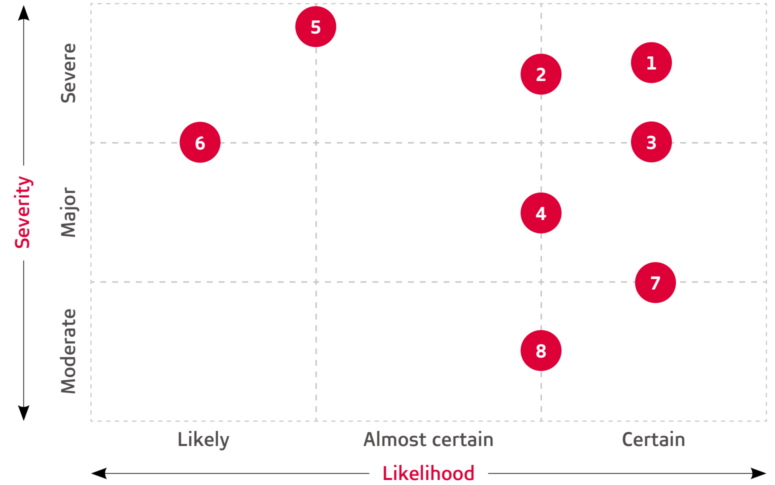
- Our deep-dive strategy review process, including a detailed business environment assessment, alongside risk and opportunities
- The likelihood of a risk or opportunity coming to fruition
- The arena of the effect, be it internal or external
- Our risk appetite framework ensures a balanced approach 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 material issues associated with our business model affect our ability to execute our strategy.

4. Prioritising material matters

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 financial and non-financial impacts. We consider non-financial impact types as they relate to regulators, clients, reputation, our service, and employees.



Number icons, e.g., (1) link the Pillar 3 disclosure to discussions of *our material matters*.

[LA] Limited assurance.

Our material matters continued

Unpacking our material matters[LA]

Accelerating economic momentum [1], [2], [3], [5]

Facing multifaceted challenges, from declining GDP growth to increased sector volatility, Absa is leveraging our organisational resilience to navigate the risks associated with the current economic climate.

Complexity and challenge characterise the current economic climate. The IMF projects global GDP growth of 3.1% in 2024, in line with the estimate for 2023 growth. Concurrently, the disparity in wealth has intensified, with the top 1% of the wealthy accruing two-thirds of the global wealth, while global purchasing power experienced its first decline of the century in 2022.

The financial services sector is grappling with volatility, evidenced by the collapse of three banks in the US, leading to increased regulatory scrutiny. Heightened economic pressure is also bringing concerns over potential fraud and security threats to the fore. Asset values are likewise under stress as demand decreases and confidence in the market diminishes. In the first half of 2023,high global inflation propelled monetary authorities to tighten policies, leading to surging interest rates that curbed growth, and amplified recession fears. With the peak of inflation behind us, advanced economy central banks are discussing rate cuts, however, the persistence of elevated rates for longer periods has delayed the impact of the anticipated relief on consumers.

South Africa, our primary market, is under scrutiny due to its changing global profile influenced by economic and geopolitical shifts. The nation's insufficient and unreliable electricity supply compounds its challenges alongside a growing water crisis stemming from mismanaged and neglected infrastructure and climate-change impacts. Additionally, the logistics sector struggles with significant losses, port congestion, and backlogs. The upcoming 2024 election outcomes are highly unpredictable, adding another layer of complexity to the nation's economic and political landscape.

While specific African markets are on track for swift growth, the broader investment landscape across Africa necessitates focused improvements. These include boosting liquidity in financial markets, creating more investment-friendly tax conditions, and encouraging legislative support to adopt standard agreements.[1]

From a consumer perspective, the increasing cost of living, coupled with stagnant incomes, is significantly impacting disposable income. The challenging economic conditions have led to a rise in credit impairments across various lending portfolios. In many key African regions, this situation is worsened by heightened risks related to government debt and currency fluctuations.

Our comprehensive strategy integrates robust liquidity and balance sheet management with sophisticated risk modelling. We acknowledge that pursuing market-leading growth in the face of significant economic challenges is ambitious. However, we continue to purposefully seek out the opportunities presented, adopting a flexible, risk-aware and client-centric approach.

[1] Absa Africa Financial Markets Index 2023.

[LA] Limited assurance.

What does it mean for Absa?

Opportunities

Creating a balance in revenue mix across our portfolio	Promoting financial inclusion through targeted and relevant financial advice and products	Delivering holistic and integrated product solutions to clients
Deepening client relationships	Innovating products, services and pricing structures	Increasing our bancassurance presence
Improving productivity in resource management	Expanding the non-traditional acquisition channels across the business	Driving improved productivity.

Principle risks affected

Credit | Market | Capital and liquidity | Insurance | Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

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 clients affects margins.

Manufactured capital

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

Social and relationship capital

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

Scorecard metrics affected

- Headline earnings
- RoE
- Capital lite revenue
- CTI
- Group client experience index
- Sustainability-linked financing.

Other metrics affected *(value over time)*

- Credit loss ratio (CLR)
- RoE
- TSR
- Total deposits
- Gross loans and advances

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 8 SDG 10 SDG 16

Linkages to our strategic aspirations

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

Number icons, e.g., (1) link the *Pillar 3 disclosure* to discussions of our material matters.

Our material matters continued

State-to-sector interconnectedness [1], [2], [4], [5], [6]

We navigate the complexities of global geopolitical dynamics and their impact on our markets, focusing on fostering resilience and mitigating risks to ensure sustainable growth.

Global economic stability is being tested by geopolitical events revealing the deep interconnectedness between state actions and sectoral impacts. The conflict between Russia and Ukraine, for instance, has led to substantial war-related losses estimated at USD500 billion for Ukraine and has escalated food and fuel prices worldwide. This, along with the 2023 Middle-East conflict, has magnified global tensions, exemplifying how regional conflicts can ripple through the international economy.

Amid the current geopolitical landscape, tensions between superpowers, especially the US and China, present a considerable threat to the global economy. The IMF predicts this could lead to a potential 2% reduction in global economic output. In this environment of escalating tensions, emerging markets face significant pressure. Concurrently, there is an increasing risk of sanctions or negative consequences from trade agreements for nations not aligned with major Western powers. This risk is especially pronounced for South Africa, as Western-aligned countries question South Africa's neutrality position. The timing of this geopolitical polarisation coincides with the implications of South Africa being placed on heightened monitoring (grey-listed) by the Financial Action Task Force (FATF) earlier in 2023, and the possible consequences the industry can face as a result.

Outside of South Africa, other African nations have experienced a rise in sovereign defaults, with 14 incidents since 2020, including Ghana and Zambia, increasing the possibility of further sovereign restructuring or downgrading and defaulting. In the face of these challenges, declining global liquidity and high inflationary trends, along with country and sovereign risk could lead to market volatility. Prudent debt management and the reinforcing of domestic institutions remain essential for financial market stability.

We are committed to fostering resilience in our markets amid ongoing volatility by facilitating a supportive flow of capital to empower Africa's tomorrow. Our risk management strategies are designed to anticipate and mitigate risks, including those arising from credit losses due to defaults, contagion and counterparty risks.

What does it mean for Absa?

Opportunities

Facilitating trade among African countries	Contributing to a resilient and stable financial market system by following internationally accepted standards	Balancing robust risk management with growth aspirations across our presence markets
Supporting government policies in the collective interests of societies	Proactively managing our risk exposure	Ongoing enhancement of models to better understand the risk-reward trade-offs.

Principle risks affected

Credit | Market | Capital and liquidity | Insurance | Strategic, sustainability and reputation | Model | Operational and resilience

Possible business model impacts and effects on capitals

Financial capital

- ▼ Possible credit downgrades impacting economic momentum
- ▼ Cost of doing business in country escalates
- ▼ Difficulty in accessing multilateral capital
- ▼ Possible reduction in international trade and direct foreign investment.

Social and relationship capital

- ▼ Increased monitoring by FATF and increased regulation
- ▼ Negative investor sentiment
- ▼ Damaging reputation and standing in the international community.

Scorecard metrics affected

- Headline earnings
- RoE
- CTI.

Other metrics affected

(value over time)

- Total deposits
- Gross loans and advances
- CLR.

Value to others

Stakeholders impacted

Investors | Clients | Regulators | Society

SDGs impacted

SDG 8 SDG 16

Linkages to our strategic aspirations

A diversified franchise with deliberate, market-leading growth.

Number icons, e.g., (1) link the *Pillar 3 disclosure* to discussions of our material matters.

Material matters continued

Supporting social cohesion [3], [4], [6]

In the face of rising social inequality and instability, we are committed to enhancing social cohesion through targeted initiatives that promote financial inclusion and socioeconomic stability.

The erosion of social cohesion is a complex issue, impacted by a multitude of factors. The situation is aggravated by high inflation rates, deepening the cost-of-living crisis and weakening economic stability. This financial pressure can fuel social unrest, particularly in regions with upcoming elections. According to PwC's Africa Business Agenda ESG Perspective 2023, approximately 46% of sub-Saharan African business leaders anticipate facing moderate to high threats from social inequality in the next year, compared to 26% globally. This includes fears of social and political instability.

Moreover, societal divisions and large-scale involuntary migration due to climate-related and geopolitical factors further strain social cohesion. In sub-Saharan Africa, concerns about social inequality, including disparities in income, gender, race, and ethnicity, contribute to social and political instability. This is exacerbated by an expected increase in extreme poverty through 2030. South Africa is estimated[1] to have 19.2 million people living in poverty by 2030 while wealth inequalities in regions like Botswana, Ghana, Kenya, and Mauritius range between 36.8% and 53.3%.[2]

It is unsettling that in a modern world, human rights violations persist, with governments enacting laws that adversely impact society. Such laws can harm individuals by fostering discrimination, limiting their rights, perpetuating societal inequalities, and can result in potential funding repercussions for countries, deepening economic strain.

The erosion of social cohesion poses significant risks to Absa, potentially impacting our operations through increased social unrest, economic instability, and loss of consumer confidence in regions affected by high inequality and political volatility. Such challenges could lead to disruptions in the business environment and affect our ability to serve our clients effectively. Recognising these risks, Absa proactively addresses social cohesion erosion through targeted initiatives, such as engaging in policy advocacy with governments and key stakeholders to promote socioeconomic stability and expanding financial inclusion to bolster economic empowerment in lower-income groups. Our approach includes offering innovative financial products and services tailored to these challenges, complemented by consumer education and financial literacy programmes. Through these actions, we aim to create a more equitable and inclusive environment, supporting our resilience and contributing positively to the societies in which we operate. Further, extensive investment has been made to ensure that both our own and third-party operations are resilient and able to support stakeholders.

[1] https://www.statista.com/statistics/1263290/number-of-people-living-in-extreme-poverty-in-south-africa/.
[2] https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country.

What does it mean for Absa?

Opportunities

Promoting financial inclusion	Enhancing client primacy and extended client life journeys
Fostering equal opportunities and poverty eradication	Diversifying revenue streams through initiatives aligned with positive social outcomes.

Principle risks affected

Strategic, sustainability and reputation | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Financial capital

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

Social and relationship capital

- ▲ Reputational gains supporting communities
- ▲ Reputational gains resulting from continued resilience investments and a capacitated, converged security office protecting clients
- ▲ Client primacy.

Human capital

- ◆ Preservation of available job opportunities.

Scorecard metrics affected

- S&P Global ESG rating

Other metrics affected

(value over time)

- Consumer education participants
- ReadyToWork participants
- Economic value to communities
- Sustainability-linked finance: financial inclusion
- ESG social loans.

Value to others

Stakeholders impacted

Investors | Employees | Society

SDGs impacted

SDG 5 | SDG 8 | SDG 10 | SDG 16

Linkages to our strategic aspirations

A diversified franchise with deliberate, market-leading growth | The primary partner for our clients | A digitally powered business I Winning, talented and diverse team I An active force for good in everything we do.

Number icons, e.g., (1) link the *Pillar 3 disclosure* to discussions of our material matters.

Material matters continued

Digital dependencies and vulnerabilities [4]

As the banking industry evolves in the digital age, we are leveraging technology to provide secure, innovative, and client-centric digital banking solutions while enhancing cybersecurity.

The digital era has ushered in a rapid transformation of competition within the financial services sector. Technological advancements in AI, large language models, biometrics, digital currencies and the imminent arrival of quantum computing are reshaping the operational landscape. These developments are breaking down traditional barriers and altering the competitive field, with new entrants, including fintechs, mobile operators and insurtechs, offering low-cost digital solutions that disrupt conventional revenue streams. These newcomers, along with established institutions, are increasingly focusing on innovation and strategic partnerships to meet the evolving preferences of a client base that favours digital banking. Client expectations are also shifting, influenced by the best digital experiences across industries.

The sector is also increasingly adopting a mobile-first approach to financial products and services, especially with the expansion of 5G and satellite coverage, capitalising on the rise in digital adoption. This approach aims to extend reach, providing accessibility and convenience to clients. However, the shift towards digitalisation and increased connectivity juxtaposes localised supply chains amid global data and service trade. The digitisation of client journeys has also evolved beyond mere sales and service channels, now permeating all demographics. The impact of rapid payment systems, for example, is most strongly observed in the informal sector. Rural communities and small businesses have decreased their reliance on cash, while the flow of money in the economy has gained momentum due to a sharp increase in real-time digital transactions.

The shift towards digital operations has brought about advanced capabilities and efficiencies, though it also introduces new challenges in managing sophisticated cybersecurity threats. As organisations embrace cloud computing, the focus on safeguarding centralised data becomes paramount, given its numerous benefits. Additionally, the current economic landscape has led to an uptick in cyber activities such as fraud and ransomware, necessitating vigilant cybersecurity measures. The emergence of AI technologies, while transformative, requires careful oversight to prevent misuse. Absa is proactively adapting to these dynamics, continually enhancing our defences to maintain the integrity and security of our data.

A key focus for Absa is fortifying cybersecurity measures to address the complex threat landscape and protect sensitive data and infrastructure. We recognise significant opportunities to automate risk management activities and enhance client service and experience through continued AI, digital currency adoption and payment platform innovation. This includes commercialising the data we possess and extracting further value from our recent data technology investments, ensuring a proactive and secure approach in this rapidly evolving digital financial environment.

What does it mean for Absa?

Opportunities

Adding new digital capabilities complemented with enhanced security to the Absa mobile banking app supports increased digital adoption rates	Capitalising on alternative channels (agency banking, USSD, mobile and internet banking and merchant acquiring)	Enhancing primacy through client service that is safe, reliable and seamless
Enabling greater access to convenient self-service options for clients	Increasing agility, efficiency and cost optimisation through cloud computing and AI	
Growing revenue from digital products and services using mobile technology and fintech partnerships	Furthering financial and digital inclusion.	

Principle risks affected

Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Financial capital

- ◆ Increased transaction volumes and higher digital inclusivity affecting fees
- ▲ Increased productivity over the medium to longer term
- ▼ Investment in technology infrastructure in the short to medium term
- ▼ Financial loss as a result of potential fraud, cybercrime and data loss.

Human capital

- ▼ Scarcity of digital and technology skills, resulting in intense competition for talent
- ◆ Helping to reskill the existing workforce drives retention and meets fundamental business needs while recognising that being digitally focused could impact job creation
- ▲ Hybrid work improving employee value proposition.

Social and relationship capital

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

Intellectual capital

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

Scorecard metrics affected

- Growth in digitally active clients – Group composite measure
- RoE
- CTI.

Other metrics affected *(value over time)*

- Total severity 1 and 2 incidents
- Retail digital channel availability
- Service availability for the Group.

Value to others

Stakeholders impacted

Investors | Clients | Regulators | Society | Employees

SDGs impacted

SDG 8 SDG 10

Linkages to our strategic aspirations

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.

Number icons, e.g., (1) link the *Pillar 3 disclosure* to discussions of our material matters.

Material matters continued

Climate change and a just transition [7]

Absa is leading the way in sustainable finance, committing to a net zero future and supporting Africa's journey towards environmental and economic resilience.

The heightened multi-stakeholder focus on climate change and the pursuit of a just transition is set against a backdrop of escalating natural disasters and a growing emphasis on sustainability considerations. In 2022, the value of global sustainability assets surged to USD2.5 trillion, a 17% increase from 2020. However, the year also witnessed USD313 billion in global economic losses from climate-related catastrophes, aggravating food and water security issues.

Across Africa, climate change, environmental vulnerabilities, social disparities, and corporate governance issues present significant challenges to growth. These factors critically affect agriculture, water, health, and energy. Despite the urgency, African companies have been slow to adopt data-driven sustainability strategies to reduce emissions and mitigate climate risks. Within this context, stakeholders are intensifying their demands for businesses to integrate sustainability risk management into their operations. This includes embedding effective processes, metrics, and monitoring systems to manage climate risks, clarifying costs and engagement in the just transition, and setting green targets for owned assets.

Moreover, the risk of greenwashing, where companies give a misleading impression of their environmental impact, is a concern for investors. It is critical for businesses to back up sustainability claims with tangible actions to avoid reputational damage and potential regulatory scrutiny.

Climate financing and advisory services are becoming crucial as companies navigate the complexities of climate change mitigation. In sub-Saharan Africa, over half of the companies expect moderate to severe impacts from climate risks on their cost profiles in the next year, slightly higher than the global average, according to PwC[1]. Financial impacts arise from increased insurance liabilities and the need for significant investment to comply with new regulations. For example, 2022 proved particularly costly for insurers, with high premiums and substantial payouts due to climate events. For Absa's insurance business, this trend underscores the urgency of integrating climate risk modelling and management. These events highlight the growing importance of sustainable practices in insurance underwriting and the need for innovative solutions to mitigate the impact of climate change on our clients and the broader community.

At Absa, we are committed to being an active force for good in everything we do. We have made decisive strides in reorienting our financial services to support a greener economy. Our approach to managing environmental impacts involves sector-specific pathways, including exclusion lists for our identified sensitive sectors and carbon emissions targets for coal, oil, and gas, which will provide the necessary data to inform our emissions reduction pathways and support the financing of renewable energy initiatives.

As we proactively integrate climate risk considerations into our business strategy, we also embrace the opportunities that arise from this approach. We are committed to achieving a net zero state for scope 1, 2 and 3 emissions by 2050. As a financial institution, we seek to allocate and facilitate capital that supports our overarching ambitions, acknowledging our role as stewards of Africa's future. We are also dedicated to supporting our clients in their just transition journeys, addressing Africa's energy poverty, and promoting sustainable, inclusive economic growth, employment, and decent work for all. The impacts of a just transition are not uniform across the continent, and our support of a just transition recognises the importance of tailor-made solutions that address unique circumstances and needs.

[1] PwC's Africa Business Agenda ESG Perspective 2023.

What does it mean for Absa?

Opportunities

Lead the way in sustainable finance	Capital allocation to environmentally responsible businesses	Contribute to a just transition and responsible consumption
Increased insight into clients' sustainability needs and roadmaps to net zero can lead to new financing opportunities, including nature-positive financing	Access to sustainable green loans	Opportunity to drive business continuity for clients.

Principle risks affected

Credit | Capital and liquidity | Insurance | Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

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 sustainability 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.

Scorecard metrics affected

- Sustainability-linked financing
- CDP rating
- S&P Global ESG rating.

Other metrics affected *(value over time)*

- ESG green bonds and loans
- Energy consumption.

Value to others

Stakeholders impacted

Investors | Clients | Regulators | Society | Employees | Planet

SDGs impacted

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

Linkages to our strategic aspirations

A digitally powered business | An active force for good in everything we do.

Number icons, e.g., (1) link the *Pillar 3 disclosure* to discussions of our material matters.

Material matters continued

Rising regulation [8]

Amid an evolving regulatory landscape, Absa is proactively adapting to new compliance challenges, ensuring our operations remain resilient and competitive in a diverse and dynamic market environment.

The current business landscape is contending with an ongoing escalation in regulatory demands, presenting complex challenges impacting the established business models within the Group's markets. This includes an evolving suite of regulations centred on fraud and liability, necessitating a forward-looking approach to business strategy to mitigate potential long-term impacts on performance. However, it is essential to note the uneven regulatory landscape, where non-regulated companies face less stringent requirements, potentially posing more risks in terms of compliance and market conduct.

The regulatory evolution also demands enhanced skills development to comply with new requirements such as ESG risk disclosure, digital asset regulation, and operational resilience assessments. The implications of these regulatory shifts are substantial, potentially leading to increased compliance risk and operational disruption, while the strain on resources to stay abreast of these changes can create strategic uncertainty.

Banks are now faced with the challenge of navigating regulatory inconsistencies, where variances in regulations across jurisdictions result in uneven competition and may even encourage new, non-banking service providers to enter the market. These new entrants, often not bound by the stringent regulations that govern traditional banks, could operate with more flexibility but also bring additional risks to the financial system. This changing regulatory environment highlights the urgent need for traditional banks to adapt swiftly and develop robust strategies to maintain resilience and a competitive edge in a landscape marked by increasing regulation.

Across our presence markets, governments are enacting new regulations that govern technology use within the financial services sector. Specific regulations, such as the data localisation requirements in countries, could have substantial cost implications for our operations. They necessitate strengthening fraud, cyber, and tech risk processes and controls within these countries. This may result in increased service costs for key client segments, and higher overall banking costs passed on to clients due to pressure from local regulators.

Regulatory changes also bring an array of opportunities to enhance consumer trust and strengthen market integrity. By investing in specialised training and continuously improving our regulatory capabilities, we are well-positioned to navigate and shape the regulatory environment while leveraging our robust systems and processes.

What does it mean for Absa?

Opportunities

Strengthen foreign investor confidence	Working with our regulators in developing common strategies to achieve our client goals while strengthening the financial industry	Continue to support and align with international and local practices supporting capital and ESG requirements
Increase transparency through reporting and disclosures	Mitigate or prevent systemic risks across the organisation, promoting financial stability	Promote a culture of compliance while bolstering our compliance structures and systems.
Influence and advocate policy positions and lead in the industry		

Principle risks affected

Credit | Market | Capital and liquidity | Insurance | Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Social and relationship capital

- ▲ Sound, positive and healthy relationships with regulators
- ◆ Compliance burden may affect client journeys and experiences, yet clients 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.

Scorecard metrics affected

- CTI
- RoE.

Other metrics affected

(value over time)

- Common Equity Tier 1 (CET1)
- Net stable funding ratio (NSFR)
- Total operational risk losses.

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDG impacted

SDG 16

Linkages to our strategic aspirations

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

Number icons, e.g., (1) link the *Pillar 3 disclosure* to discussions of our material matters.

Material matters continued

Evolving employee value proposition

Responding to a dynamic employee landscape, Absa strategically invests in human capital, embracing flexibility and inclusion to attract and retain top talent.

The evolution of job roles and a growing preference for flexible work arrangements necessitate evolving employee value propositions, reshaping traditional work environments. The talent gap is particularly acute in essential sectors such as technology and finance. High illiteracy rates and a shortage of skills in these areas pose a significant risk to economic growth, notably in sub-Saharan Africa. The loss of key talent through emigration in South Africa is also a considerable concern. Compounding this issue is the fact that the demand for specific high-tech skills has surged more than fourfold in the last decade. This skill gap is projected to result in approximately USD8.5 trillion in unrealised revenue by 2030[1], underscoring the critical need to address this talent shortfall.

Globally, there is a growing expectation for businesses to extend their impact beyond core operations, contributing societal value and exemplifying purposeful leadership. This shift aligns with trends in our business, such as rising demand for more meaningful work, enhanced job security, competitive remuneration, flexibility, and career advancement opportunities. In the post-COVID-19 recovery phase, we recognise that Africa presents a significant opportunity for human capital investment, capitalising on our continent's young demographic. With over 60% of Africa's population under 25, expected to make up 42% of the global youth by 2030, this youthful populace holds immense potential for driving innovation, growth, and societal progress across the continent.[2]

These complex social factors necessitate a multifaceted response, focusing on sustainable human capital investment and robust talent management. The evolving business landscape, marked by a shift towards more meaningful and secure employment opportunities, aligns with our commitment to enabling our people to bring their true selves to work, aiming to be a beacon of inclusion across the continent. This commitment extends beyond our internal operations to encompass our suppliers, clients, and communities. By ensuring a diverse and representative workforce at every level of our organisation and fostering a high share of employees who feel accepted and valued, Absa positions itself not just as a financial entity but as a key player in shaping a more stable, equitable, and prosperous future for the region. Through these efforts, we are responding to immediate needs and reinforcing the long-term resilience of our business and the communities we serve.

[1] *https://www.kornferry.com/insights/this-week-in-leadership/talent-crunch-future-of-work*
[2] *https://www.weforum.org/agenda/2022/09/why-africa-youth-key-development-potential/*

What does it mean for Absa?

Opportunities

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

Principle risks affected

Strategic, sustainability and reputation | Operational and resilience

Possible business model impacts and effects on capitals

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 experience
- ▲ Improved mitigation of scarce skills
- ▲ Improved employee value proposition.

Intellectual capital

- ▲ Increased know-how and institutional knowledge
- ▲ Employees equipped for work in the digital age.

Scorecard metrics affected

- Employee experience index
- Employment equity points
- Women in leadership.

Other metrics affected

(value over time)

- Headcount
- Turnover rate
- Employee headcount below the age of 40
- Female-to-male ratio.

Value to others

Stakeholders impacted

Employees

SDGs impacted

SDG 5 | SDG 8 | SDG 10 | SDG 16

Linkages to our strategic aspirations

A digitally powered business | A winning, talented and diverse team | An active force for good in everything we do.

Number icons, e.g., (1) link the *Pillar 3 disclosure* to discussions of our material matters.

Our medium-term strategy

During our strategic planning process, we reassess our business model and primary macro dynamics. We identify opportunities and adjust strategic objectives through cross-functional risk management and integrated planning. Rigorous evaluation is applied to both strategic opportunities and risks.

Strategic journey

We acknowledge that we operate in a volatile and uncertain environment characterised by low economic growth, elevated inflation and interest rates, growing infrastructural challenges and skills shortages, to name a few. We are fully cognisant of these challenges, yet our sights remain on a brighter future, one where our bold decisions can make a difference.

To translate our beliefs into action, over the past year, we have embedded our purpose of empowering Africa's tomorrow, together ... one story at a time, as the cornerstone of our strategy, behaviours, and brand. We have brought our purpose to life through a cultural shift and a unitary ambition. Our strategic framework is inextricably linked to, and strongly aligned with, the Group's efforts to achieve this purpose. Our choices are also informed by a consideration of the Group's *material matters*, risks and opportunities, and the significant trends in *our external environment*.

Our differentiators and enablers

As a Pan-African bank, one of our most tangible competitive advantages is our unique culture and universal banking offering. We have proven our ability to evolve with our clients, supporting them as trusted partners as they grow. Our operating model enables collaboration across businesses and functions with a single mindset to achieve our outperformance ambition, which also sets us apart. However, our most vital differentiator remains in being a human-centred and empathetic organisation with a deep commitment to a differentiated client experience and a passion for empowering and unlocking opportunities for our communities. This, alongside our diligent pursuit of leadership in sustainability, reflects our DNA and distinguishes us in the eyes of our clients, employees, and communities.

Our strategic journey, 2017 to present

In recent years, we have made considerable progress in building a solid foundation for growth. The momentum gained has inspired us to raise our long-term ambition and accelerate our performance through a growth-led strategy. We have a coherent strategy, inclusive leadership approach, engaged employees and a collaborative operating model to achieve our objectives. We are actively pursuing our ambition.

Pre-separation	Post-separation	Accelerating momentum	Our journey to outperformance
Turbulent and challenging with long-term implication	Rebuilding and redefining while navigating COVID-19 crisis		Expanding horizons, raising our ambition
2012 – 2018	2019 – 2021	2021 – 2022	2023>
Grappled with a declining market share, weak revenue growth, rising costs and suboptimal capital allocations. The core business performance suffered as the focus shifted to the delivery of a complex separation from Barclays PLC.	Efforts were made to halt the decline in financial performance and maintain stability in the business during the separation process. The 2018 strategy was refreshed and re-anchored to ensure continued relevancy.	Building on our success, performance measures were rebaselined and our leadership and operating model transformed.	Raising our ambition with a reinvigorated organisation, a well-defined medium-term focus and a long-term compass in our purpose.

Our strategic horizon

Short-term (<12 months) → Medium-term (3 years) → Long-term (3+ years)

We are focused on five strategic themes set within a medium-term horizon to reach our long-term ambition. Strategic initiatives and responses remain dynamic and agile, enabling us to rapidly adapt to short-term shifts in our macroeconomic, operating environment, and competitive conditions.

We are clear on our long-term ambition to be a leading Pan-African bank, positioned among continental industry leaders through our aspiration to:

- **Grow** and **diversify** our **revenue** base
- **Improve** our operational excellence and our **CTI ratio**
- **Increase** our **RoE** and create enhanced shareholder value.

Our *outlook* profiles the medium and longer term targets we aspire to.

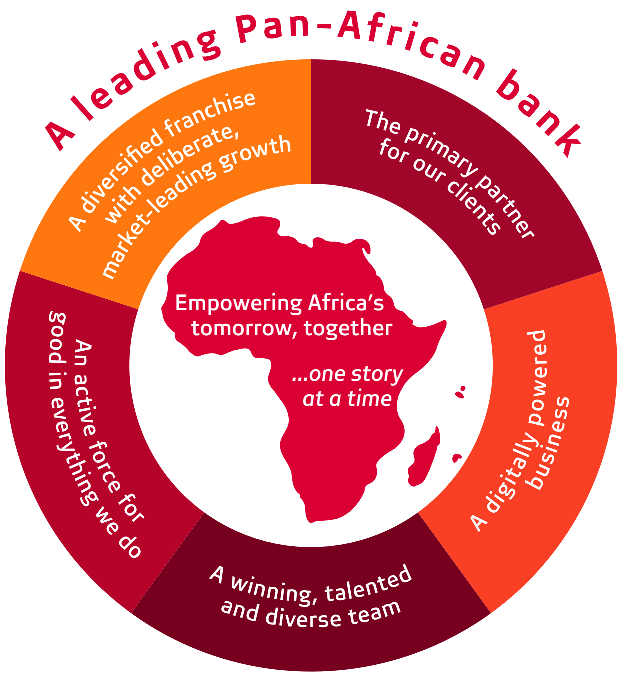
Strategic framework[LA]

Five strategic pillars underpin our ambition:

- We will diversify our franchise with deliberate, market-leading growth.
- We aim to be the primary partner for our clients.
- We deliver a superior digital experience by being a digitally powered business.
- We build a winning, talented and diverse team.
- We continue to be an active force for good in everything we do.

[LA] Limited assurance.

Our medium-term strategy continued



We operate with a singular mindset, understanding the interconnectedness of our actions and addressing all five strategic pillars collaboratively to achieve our one purpose.

A diverse franchise with deliberate, market landing growth

The primary partner for clients

As a Pan-African business, we offer our clients a universal banking service wherever they operate, allowing us to service and grow with their financial needs.

A digitally powered business

Making banking part of clients' lives through our digital channels. Keeping our clients' money safe by maintaining stable and reliable systems to bank on.

We use technology to reach new geographies and grow our diversification of non-interest revenue (NIR) and capital lite revenue.

A winning, talented and diverse team

Through technology, we support employees to have a digitally enabled way of working, as well as empower them to seamlessly serve our clients.

Our employees bring empathy and the human touch to our clients to complement our digital offering.

Our skills and experience enable us to develop state-of-the-art products and services and charter new territories.

An active force for good in everything we do

Our ethos of skills development and diversity for our employees, with a particular focus on women and youth, is mirrored in our selection of community projects.

Our digital platforms enable financial inclusion while building digital skills for the future.

We partner with our clients on their sustainability journeys so that no one is left behind in the just transition to net zero by 2050.

The green economy provides opportunities to pursue growth and meet the evolving needs of clients and communities as we seek new propositions and services relevant to the green economy.

Customer centricity and harmonised customer value management remain central to our strategic actions.

Our medium-term strategy continued

Strategic themes[LA]

The thinking behind our chosen strategic initiatives

Living our purpose

Growing wider → Diversified franchise

Growing deeper → Primary partner

Growing together → An active force for good

Enablers

A winning, talented and diverse team
Skilled and efficient

A digitally powered business
More cost-effective, more efficient, more advanced

A diversified franchise with deliberate, market-leading growth

Being a truly Pan-African bank is vital to achieving our growth and scale ambitions. We see high-growth markets in Africa as an opportunity to grow boldly. This will reinforce our market-leading growth prospects and diversify revenue streams while reducing market-specific risk. Broadening our geographic franchise also directly aligns with our purpose by supporting socioeconomic development and climate action in the region.

We are pursuing growth in existing markets by harnessing our brand and partnerships, as well as close collaboration within our ecosystem. We also aim to expand into attractive new markets. Our international corridors will continue to provide a gateway for expansion into Africa. This remains a key competitive advantage for the Group.

South Africa remains a strong platform from which we will achieve geographic diversification. We are committed to excelling in client centricity and will continue to focus on specific segment opportunities. This will include an increased focus on entry-level banking, SMEs and bancassurance while continuing to leverage our strong position in home loans and vehicle finance as well as expanding our market share in key sectors like Agri.

Our strategy in action

We are creating a more diversified business across geographies, segments, and products. Our geographical diversification strategy is paying off, with our ARO markets contributing 29.4% of revenue and 29.9% to Group earnings in 2023. *Read more later …*

The trade-offs we make

Organic growth versus acquisitions

We mitigate market-specific risks by diversifying our portfolio and leveraging our Pan-African capabilities. In doing so, we must continually balance the advantages of reinvesting in the existing business against the acquisition of established operations, or the establishment of partnerships and joint ventures in new markets.

Capital allocation to South Africa versus ARO markets

As we seek to accelerate growth by investing in and expanding the ARO portfolio, necessary capital allocation trade-offs have to be made as South Africa remains the mainstay of our portfolio and also requires ongoing investment to maintain Absa's relevance and market share. The Group's strong capital position facilitates the judicious allocation of sufficient capital to advance both growth initiatives.

Material matters
- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion.

Capitals

Contributing to SDGs

Strategic measures	2022	2023	2023 target
Headline earnings (Rbn) (year-on-year (YoY) growth % ex FX)	20.7	**20.9 (1%)**	**23.4 (14%)**
RoE (%)	16.4	**15.3**	**17**
Capital lite revenue (Rbn) (YoY growth % ex FX)	57.4	**61.6 (7.4%)**	**61**
CTI ratio (%)	51.0	**52.1**	**52.2**

[LA] Limited assurance.

Our medium-term strategy continued

The primary partner for our clients

Being the primary banker for our clients and fulfilling their financial needs supports enduring client loyalty and achieves higher revenue and profit per client segment. To promote primacy, we will continue to build brand affinity with clients and employees. We do this through brand investment, astute positioning and leveraging the power of our purpose and people. Enhancing our clients' experience through a wide range of digital solutions will build on our human-centred nature. Economic conditions are challenging for most clients, in business, as well as retail. Truly understanding our clients' needs allows us to deliver innovative solutions relevant to these challenging conditions.

In our bid for primacy and building deeper relationships with our clients, we continue to pursue opportunities to build NIR. We will look to grow our strength in the agricultural sector and focus on alternative growth sectors, such as energy and the informal sector, by offering market-leading value propositions. As a universal bank, we look to serve our clients across all segments from entry-level to wealth, small businesses to large corporates, through data-led propositions. This requires the full power of the Group's ecosystem with both a local presence and international representation supporting flows within, into, and out of the continent.

Our strategy in action

In 2023, we completed our three-year consumer pricing transformation that resulted in over R1 billion in benefits to our clients in South Africa. In addition, we also focused on driving client primacy through disruptive and innovative solutions, such as introducing our Free Rewards programme, which removed membership fees and increased value for money by giving cash back to our clients. *Read more later ...*

The trade-offs we make

Long-term relationships versus short-term financial performance

We do not compromise long-term relationships and client primacy in favour of short-term financial performance. This is driven by our firm conviction that our client-centric pricing approach will deliver sustainable returns over the long term.

Pursuing revenue growth in a volatile credit market

The provision of loans and advances is the foundation of universal banking and Absa's principal source of revenue. Weak economic conditions require us to balance growth in revenue against increased risk in the form of credit losses and impairments. We carefully calibrate the Group's growth expectations and risk appetite to maintain the health of the lending book across economic cycles.

Material matters

- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition.

Capitals

Contributing to SDGs

	2022	2023	2023 target
Group client experience index (Revenue weighted)	81	96	85
Brand consideration	38.7%	41.8%	N/A[1]

A digitally powered business

We aim to enhance agility, cost-competitiveness, client value propositions and execution speed by becoming a digitally powered business with a complementary physical presence.

Absa continues to pursue opportunities to accelerate our digital transformation, supported by modern, agile technology. We are accelerating our digital adoption and transaction volumes on our digital platforms as we seek to make banking seamless for our clients. Embedding digital-first ways of working and innovating will deliver better client value propositions more rapidly and at lower cost.

We recognise the opportunities digital will unlock to drive efficiency and improved client experience. In addition, new business models and partnerships with startups and large industry players to better serve our clients and employees may also become possible. We extract value from data using data insights and AI to drive growth, improve efficiencies, deepen client understanding, increase client centricity and develop relevant client value propositions.

Delivering on this requires the right digital talent, and we are hiring, training, and retaining outstanding talent, building skills for Absa and supporting skill development across the continent.

Our strategy in action

We see a clear trend in our clients choosing to use our digital channels, with an increase in our digital registered and enabled base. We use advanced technology in launching digital products such as our market-first augmented reality card game and the first-to-market launch of Absa Card Send, which allows for person-to-person card payments. *Read more later ...*

[1] This measurement was only brought into the Group scorecard in 2023. While we provide a prior-year comparison, the baseline measurement was only determined in 2023, so no target was set for 2023.

Our medium-term strategy continued

The trade-offs we make

Digital innovation versus technology modernisation and simplification

We continually choose between allocating our finite resources to urgent operational matters and digital innovation, balancing the need to deliver at pace with the requirement to maintain business continuity in our core banking technology.

Material matters
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Rising regulation
- Evolving employee value proposition.

Capitals

Contributing to SDGs

Strategic measures	2022	2023	2023 target
Growth in digitally active clients Group-wide composite score	19%	**17%**	**14%**

A winning, talented and diverse team

As a business built on people, we are clear that our ability to outperform depends on building the right culture and organisational health. Our reputation as a great place to work assists Absa in attracting and retaining scarce and critical skills, however, being a purpose-led organisation inspires pride in our employees and attracts like-minded prospective talent.

Our purpose is the foundation of our culture and ways of working, and we have made significant progress embedding this within our strategy, brand, values and supporting behaviours. Our culture fosters diversity, equity and inclusion, creating an empathetic and enabling working environment for all. We continue to simplify governance and improve the way we work by distributing decision-making and fostering collaboration.

We offer a diverse range of benefits, including accelerated opportunities for talent to transfer across our franchise. We strive to be the 'home of Africa's talent', developing, rather than procuring most of our skills.

We set ambitious targets and use practical interventions to support our talent to outperform. We reward performance, and our incentive scorecards are aligned with metrics in the Group balanced scorecard to encourage long-term value creation and sustainability.

Our strategy in action

The Absa eKhaya Colleague Share Scheme, one of the largest recent employee share schemes to be implemented, provides the opportunity for employees to own a share of Absa, increasing their sense of ownership and commitment to the Group's success. *Read more later ...*

The trade-offs we make

Planting the seeds to grow our own timber versus attracting external talent to create a winning, talented, and diverse team requires an up-front investment, and a focus on developing Absa-grown talent, a necessary trade-off in an increasingly skills-scarce market.

Material matters
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

Capitals

Contributing to SDGs

Strategic measures	2022	2023	2023 target
Employee experience index	68	**71.5**	**70**
Employment equity points (as per B-BBEE)	9.81	**10.14**	**9.95**
Women in leadership	37.0%	**38.78%**	**38.8%**

An active force for good in everything we do

Our sustainability priorities are aligned with our business strategy.

Our purpose drives our actions, and we have set clear goals for the short, medium and long term to achieve measurable, material change in our communities and the environment. We have selected three sustainability areas to invest in, believing that these are where we can make the most impact:

- To contribute to Africa's transition in a way that is just and fair for all. We will contribute meaningfully to **climate-change** mitigation and remain a leading player in sustainable finance transactions. We aim to demonstrate steady progress against an ambitious net zero carbon target by 2050 set this year. As a Pan-African bank, we recognise the need to consider socioeconomic challenges in parallel with environmental threats within our context.
- We make intergenerational wealth creation accessible for all. We actively foster the **financial inclusion** of underserved groups, particularly women and youth, as we strive to make intergenerational wealth creation accessible through affordable housing mortgages, entry-level banking propositions, targeted SME programmes, and other initiatives.
- We enable all our people to bring their true selves to work and be a beacon of inclusion externally across the continent. We aim to serve as a model of **inclusivity and diversity** across the continent. This is targeted both at championing our employees and unlocking opportunities for our suppliers, clients, and communities.

We deliver on our ambitions within the context of the highest governance standards, ethics and accountability, a robust control environment and a vibrant culture that inspires us to do what is right.

Our medium-term strategy continued

Our strategy in action

Absa proudly stands as a leader in Africa for renewable energy financing, driving the continent's transition to a sustainable future. We supported and invested in various clean energy projects, including acting as the mandated lead arranger and financer of three wind energy projects worth R12 billion. We advanced R32.5 billion in green sustainable finance in 2023, maintaining the momentum from the previous year and bringing our total to R84.1 billion in sustainability-linked financing since January 2021. *Read more later ...*

The trade-offs we make: Socioeconomic versus environmental support

Our sustainability priorities and underlying trade-offs have been determined based on their impact on our stakeholders, potential risks and opportunities, and our ability to make a difference. We drive socioeconomic development in the markets in which we operate while assessing the impact our actions, and those of our stakeholders have on the environment. The complex relationship between environmental and social priorities will continue to be managed to best support a just transition.

Material matters

- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition.

Capitals

Contributing to SDGs

Strategic measures	2022	2023	2023 target
Sustainability-linked financing (Rbn)	41.7	42.6	45
S&P Global ESG rating (percentile)	89th	93rd	>89th
CDP rating	B	B	Maintain B

Resource allocation to strategic initiatives[LA]

Our allocation and use of resources differentiate us from our peers and determine our ability to achieve our ambition and create value for stakeholders. Our change investment portfolio in 2023 totalled R4.9 billion. We believe that our clearly defined processes and strong delivery capability have enabled us to allocate resources effectively, leverage our assets and add value to the Group.

We will continue to deliver on our strategic ambitions and use our change portfolio to support our strategic objectives, focusing more on multi-year, longer-term initiatives. For 2024, we have allocated R5 billion to strategic initiatives while being cognisant of our macro and operating environment, allowing for agility in our resource allocation. The bulk, or 58%, of our future investment will be allocated to being a digitally powered business, with 47% of the digital portfolio initiatives focused on transformation and disruptive innovation.

Our investments and resources are aligned with our medium-term strategy and mainly allocated to the human, financial, intellectual and social and relationship capitals. We are investing in skills and talent as well as creating a diverse employee base. We allocate resources to technology, effective security, data processes and world-class technology skills. We continuously invest in relationships and ensure that we have resources to engage with all of our stakeholders.

Examples of resource allocation include:

R0.4bn allocated to our resilience portfolio, which focuses on data capabilities

R3bn investment in digitally empowering our business

R0.5bn allocated to our strategic ambition of being an active force for good

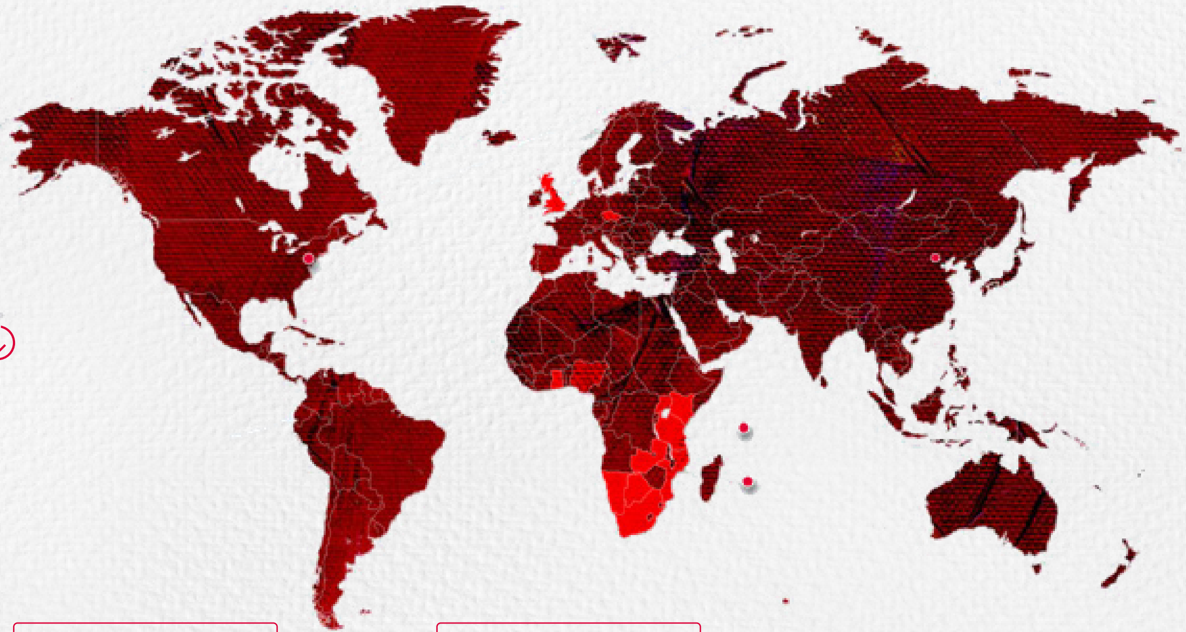
In *our business model*, we outline key dependencies on the six capitals required to execute strategy.

[LA] Limited assurance.

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 16 countries servicing individuals, SMEs, corporates, multinationals, financial institutions, banks, governments and development finance institutions.

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

- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition.

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, financial services ecosystem, and lifestyle and value chain offerings.

1 Providing payment services and a safe place to save and invest	2 Providing funds for purchases and growth	3 Managing business and financial risks	4 Providing financial and business support	5 Protecting against risks (insurance)
Accepting customers' deposits, issuing debt, facilitating payments and cash management, providing transactional banking, savings and investment management products and international trade services.	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.	Providing solutions, including fixed rate loans, pricing and research, as well as hedging, which includes interest rate and foreign exchange.	Providing individual and business advice, advisory on large corporate deals and investment research.	Providing savings and investment policies and insurance against 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 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 as 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 a low-carbon economy
- Leveraging strategic partnerships.

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.

Our business model continued

Capital inputs

Value is created over time as stocks of capitals increase

Business model dependency on capital: High / Medium / Low

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

Human capital

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

- 204 combined years of ExCo experience
- 38.78% women in senior leadership
- eKhaya Colleague Share Scheme
- 37 107 employee headcount.

Financial capital

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

- Total deposits of R1 340bn
- Gross loans of R1 321bn
- CET1 of 12.5%
- NIR to total income of 35%.

Intellectual capital

As a bank, we play a crucial role in the financial system. Systems, processes, protocols and technological architecture provide effective security and protection to our clients' data and wealth.

- R3bn planned digital spend for 2024
- R3.1bn actual spend in 2023.

Social and relationship capital

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

- Corporate Social Investment (CSI) Trust
- 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 our total assets.

- Global trend towards digital banking
- 1 010 outlets
- 131 546 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.

- 222.6 GWh energy consumption.

Key outcomes

A diversified and growing franchise

SDG 8

- R20.9bn headline earnings
- 52.1% CTI
- 15.3% RoE
- R12.3bn economic value to investors.

The primary partner to clients

SDG 8 SDG 10

- 12.2m customers
- 96 Group customer experience index.

A digitally powered business

SDG 8

- 17% growth in Group composite digitally active customer numbers
- Zero severity 1 and 2 incidents
- 99.7% retail digital channel availability.

A steward for climate

SDG 7 SDG 13

- B CDP rating
- Emission reduction pathways for coal, oil and gas
- Net zero by 2050
- R32.5bn sustainability-linked finance: climate.

Value over time reflects the net outcomes per capital

The home of Africa's leading talent

SDG 5 SDG 8 SDG 10

- R31.5bn paid to employees in salaries, incentives and benefits
- 71.5 employee experience index score
- 95.4% retention of high-performers
- 7.3% turnover rate.

Intergenerational wealth for all

SDG 1 SDG 8 SDG 10

- R10.1bn sustainability-linked finance: financial inclusion
- S&P Global ESG rating 93rd percentile
- 105 337 consumers participating in financial education
- 26 859 ReadytoWork participants
- R286m in community support.

A beacon of inclusion across the continent

SDG 10

- Level 1 B-BBEE rating
- 80.9% AIC employees
- 10.14 employment equity points
- R18.3bn economic value to suppliers to a diverse supplier base
- R10.3bn economic value to government.

Governance as a non-negotiable priority

SDG 16

- 63.7% sustainability training completion rate
- 96% Absa Way Code of Ethics training completion rate.

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

Delivering value . . . one story at a time

Group Chief Executive Officer's message

Arrie Rautenbach
Group Chief Executive Officer

"While 2023 was a difficult year, significant improvement in organisational health signals our ability to create sustainable long-term value."

Context

As underscored in the *Group Chairman's message*, the global economic landscape has presented multifaceted challenges.

Our continent has not been exempt from these difficulties. We continue to confront rising interest rates, elevated inflation, heightened unemployment and an ever-increasing cost of living, all of which have placed significant pressure on consumer activity.

In South Africa, while there is clear evidence of resilience amid electricity shortages, increases in central bank policy rates to fight inflation have had profound consequences. Deteriorating economic and infrastructure conditions prompted leaders from the public and private sectors to join hands in stemming the decline, and much work is still to be done to mature the partnership to the level required to meet the pressing challenges the country continues to face.

Amid varying economic currents within our ARO markets and the near-term challenges some of them currently face, we remain optimistic about the region's growth potential.

Against this backdrop, I was proud of the contribution made by employees across our footprint to ensure that Absa remained resilient and that we continued to deliver value for our customers, employees, communities and shareholders. Moreover, we continued to identify opportunities for diversification and expansion, positioning the Group for further growth.

Progress in a difficult year

The tough operating environment, coupled with several issues specific to our portfolio, including currency dislocations in some markets and the impact of hyperinflation in Ghana, weighed on our financial performance in 2023.

Disappointingly, our CLR increased to 118 basis points (bps), which is outside of our through-the-cycle range of 75–100bps, with the increase primarily in the South African retail portfolio, which remains our most significant portfolio. The strain on the South African consumer has been broad-based and impacted all segments, as the rapid rise in interest rates increased household debt servicing costs by over 30% since December 2021 and reduced disposable income levels that were already constrained by persistently high inflation levels. The affected businesses have responded appropriately by reducing risk appetite and seeking ways to assist customers in distress. However, while the inflation levels have recently moderated within the target range, we expect consumer strain to remain elevated until the South African Reserve Bank (SARB) starts its cutting cycle later in the year.

Nevertheless, we continued building on the strong foundations we have laid in the past five years. We strengthened our balance sheet over the medium term with our CET1 ratio of 12.5% at the top end of the Board target range and strengthened our liquidity and funding profiles, providing the platform to sustain and grow the organisation.

Our diversification strategy stood us in good stead during the year as strong growth in ARO offset the effect of economic difficulties in South Africa. ARO's contribution to pre-provision profit increased to 29% of the Group total from 22% in 2019.

Since assuming this role, I have visited all twelve of our markets outside South Africa and, in the process, gained valuable insights into the unique challenges in each market. Growth opportunities became increasingly evident, specifically as we look to diversify our business further.

We are actively looking to deploy capital in attractive growth opportunities across the continent as we pursue our ambition of becoming a leading Pan-African financial services provider. Our recently announced acquisition of HSBC Mauritius' Wealth, and Personal Banking and Business Banking businesses reflects this ambition.

Against this background, we also made progress in positioning Absa as a facilitator of trade flows into Africa through a strategic presence in the North, West and East of the globe. We were delighted with the approval of a wholly foreign-owned enterprise permit to provide general advisory services to clients based in China for transactions in South Africa and across the African continent.

This expansion is testament to our ambition to grow our international business and presence in strategic markets in line with our diversification objectives.

On course to achieve long-term goals

While 2023 was a difficult year, I was pleased with our progress, particularly within our human capital environment, to ensure we remain on course to achieve our long-term goals. We further embedded changes to the operating model introduced in 2022, enabling the Group to start unlocking business enhancements.

A significant milestone in our strategic journey was the co-creation of our organisation's purpose, achieved with input from employees across our footprint. This effort culminated early last year in our collective commitment to 'Empowering Africa's tomorrow, together ... one story at a time'. The work to entrench our purpose statement is underway to

Group Chief Executive Officer's message continued

reinvigorate our sense of pride, optimism and energy as a team. This process laid the groundwork for progress in our culture transformation journey, which included defining our values in line with our purpose.

The work undertaken to improve organisational health yielded tangible results, with employee engagement improving exponentially over the past few years. Participation levels in our colleague experience survey increased to a record 88%, from 83% in 2022 and 80% in 2021.

Pleasingly, our employer net promoter score, which indicates how likely employees are to recommend Absa as a bank of choice, increased to +36.1% in 2023 from +24.8% in 2022. We continue to drive improvements to support our ambition to be the home of Africa's leading talent by fostering diversity, equity, inclusion and a sense of belonging.

A highlight that had profound implications for Absa, our employees, communities and the market was the launch of our B-BBEE and eKhaya staff transaction. A significant 7% of our business was consequently placed in the hands of employees and communities. The launch of the scheme on 1 September was a memorable inflection point, as we were able to tangibly demonstrate recognition of employees' contribution in generating value by making our employees shareholders in our organisation.

While the staff transaction will directly impact employees' lives across our footprint, we are also excited about the potential within the scheme to enhance the Group's contribution to sustainability. The transaction enables the Group to substantially increase its investment in social initiatives through a market-leading, evergreen corporate social investment component primarily benefiting black beneficiaries of selected education and youth employability programmes in South Africa.

This pivotal transaction marks a step-change in the impact we can make in communities. The scheme aligns with Absa's commitment to becoming a purpose-led organisation and underscores our intent to become a leader in diversity, equity and inclusion in the financial sector in Africa. We are proud to have received the 2023 BEE Deal of the Year Award for this transformative transaction.

Recognising the imperative of combining our purpose, culture, and brand positioning to achieve our organisational ambitions, our brand and marketing teams undertook significant work to update our brand identity.

Our new positioning, 'Your Story Matters', expresses our commitment to injecting a more human-centred approach to banking and providing a seamless customer experience.

Delivering for our clients

With Group strategy, leadership, and employee matters on course, business teams could increasingly focus on enhancing customer experiences and making banking more seamless while driving customer primacy. It is gratifying that our total retail customer base increased 4% to 12.2 million, and digitally active customers increased by 27% to 3.8 million.

Our concerted efforts to develop innovative customer value propositions, enhance customer channels, adjust pricing and improve services, coupled with increased employee engagement, were reflected in the substantial improvement in our latest customer experience survey. Our customer experience index, which measures the quality of service experienced by our customers, rose from 81 to 96, with increases across all our business units. Brand consideration shifted from 38.7% in 2022 to 41.8% in 2023, further highlighting the improved customer experience.

Our focus on enhancing customer service was also evident in the latest Ombudsman for Banking Services report. Absa recorded the lowest number of complaints out of the big five banks in South Africa for the fourth consecutive year. While sector complaints volumes increased by 8.4%, ours reduced by 5.6% year-on-year.

We continued adjusting our value propositions that began during the COVID-19 pandemic, resulting in cumulative customer price relief totalling R1 billion in South Africa alone since 2020. Our Free Rewards programme, which removes membership fees and offers customers monthly cashback, further enhanced customer engagement. Since introducing this programme, new sign-ups have tripled.

Aligned with our aim to be a digitally powered bank, we introduced improved digital offerings as we sought to make banking seamless for our customers. The Absa Banking app maintained excellent app store ratings of 4.7 and 4.6 on iOS and Android, respectively, with the latter improving from a rating of 4.2 in the previous year. 135 new features across sales and payments were deployed to the app in 2023, including Ozow, Credit Card, Islamic Depositor Plus, Transact and Flexi, PayShap,

"The work undertaken to improve organisational health yielded tangible results, with employee engagement improving exponentially over the past few years."

Group Chief Executive Officer's message continued

> "Our goal is to drive measurable and material change in our communities in a manner that brings our purpose to life, thereby strengthening our business."

and NotifyMe. Our new ChatWallet was also deployed in early 2024 and enables banking services for all WhatsApp users, allowing customers to securely manage money without needing an existing bank account, bridging the gap to financial inclusion.

We were also part of the South African industry initiative that launched PayShap as an easy, instant and convenient way to send and receive funds.

We made significant progress in transforming our technology landscape over the last few years, achieving market-leading operational stability. For a second consecutive year, we recorded no severity 1 or 2 incidents; however, we remain highly vigilant, particularly as cyber threats increase globally.

Entrenching sustainability

We progressed in developing the capabilities and tools required to enhance our sustainability performance and entrenching it in strategies, decisions and execution initiatives across the Group. Our goal is to drive measurable and material change in our communities in a manner that brings our purpose to life, thereby strengthening our business. Our progress on sustainability matters has been broad-based and we have made progress across our three target areas of climate, financial inclusion and diversity and inclusion.

Our commitment to achieving a net-zero state for scope 1, 2 and 3 emissions by 2050 was a significant milestone in our sustainability journey, and we are actively engaging across the Group on net-zero targets and pathways required to meet net-zero commitments. We are committed to achieving our R100-billion sustainability-linked finance target in 2025.

Our ReadytoWork programme, designed to prepare young people for the job market, reached 26 859 young people. The programme provides access to learning content to equip participants with the necessary knowledge and skills to improve their prospects. We also increased our focus on consumer financial education, with programmes reaching 105 337 people in no- or low-income segments.

In each country where we operate, initiatives are underway to invest in communities. In Kenya, for example, over 35 000 women participated in a mentorship programme for women-led micro, small and medium-sized enterprises.

Looking ahead

While the year under review was challenging, we are on a healthy and sustainable trajectory across all key markets.

The operating environment is expected to remain uncertain, particularly in the context of the host of national elections scheduled across the globe in 2024. While we continue to monitor and navigate the environment with appropriate caution, we believe our strategic positioning and organisational health have progressed such that we believe it is appropriate to continue to pursue growth.

As we consider our plans for the future, we appreciate more than ever that our success is directly tied to the success of the economies in which we operate, hence our firm commitment to participating, alongside other leaders, in creating positive change. In July, I and other business leaders from various sectors pledged to drive positive change in South Africa. This is not a commitment we made lightly. While we are ready to go above and beyond in our efforts to steer the economy back to a healthy trajectory, the effectiveness of our efforts hinges on a national will to act promptly and decisively.

Amid the complex environment, the support of our customers, employees and stakeholders remains our anchor as we go forward.

I extend my sincerest gratitude to the Board for their continued support and guidance in a difficult year. Thank you to my executive committee for their consistency and steadfast delivery in a demanding operating environment.

On behalf of my executive team, I also offer my heartfelt thanks to our over 37 000 employees for their dedication and marked resilience as they continued to support our customers in 2023.

Interim Group Financial Director's message

Chris Snyman
Interim Group Financial Director

> **"We have made significant strides in the last five years in strengthening our business. We have strengthened our balance sheet, enhanced diversification and we continued to grow, while focusing on efficiency."**

Overview

Our external environment in 2023 was weaker than expected, particularly in South Africa, where continued electricity supply disruptions, supply chain logistic issues, sticky inflation, and a higher interest rate environment weighed on growth prospects. However, Africa regions reported stronger growth, well ahead of SA, despite sovereign challenges observed in Ghana, Zambia and Kenya, which improved as the year progressed.

As a result, our financial performance was lower than our expectations but resilient within the context of the current operating environment. Salient features of our 2023 normalised financial performance include:

- Headline earnings increased by 1% to R20.9 billion with diluted headline earnings per share increasing by the same magnitude. The Group's net asset value increased by 8% to R142 billion, resulting in a RoE of 15.3% from 16.4%. Returns remain above the CoE but lower than our medium-term target of RoE sustainably above 17%.
- Pre-provision profits increased by 6% to R50.1 billion, reflecting revenue growth of 8% to R104.5 billion, while operating costs increased by 10% to R54.5 billion. The CTI ratio increased slightly to 52.1%, remaining within our medium target of the low 50s.
- Credit impairments reflect strain on the SA consumer segment and increased by 13% to R15.5 billion despite a material sovereign debt impairment in the base relating to Ghana (circa R2.7 billion). This resulted in the CLR increasing to above the top end of the through-the-cycle range of 75-100 bps to end the year at 118bps. This reflected some improvement from the first half of 2023 at 127bps, with the second half coming in at 109bps as the impact of risk containment measures started to ease pressure on the impairment line.
- The Group's capital and liquidity position remains strong and sound, with CET1 at 12.5% (at the upper end of the Board target range of 11-12.5%) and liquidity ratios well above regulatory requirements.

I unpack the medium-term and 2023 performance trends in the following pages.

Basis of reporting – notable items

Normalised results

Since separating from Barclays PLC, we have reported normalised financial results adjusted for the impact of Separation. Since its impact is not expected to be material going forward, 2023 will be the last year the Group will present normalised results.

Impact of the application of hyperinflation accounting

The Ghanaian economy was assessed to be hyperinflationary during 2023, and hyperinflation accounting was applied for this business for the year ended 31 December 2023.

The application of hyperinflation accounting resulted in a reduction in the Group's profit after tax of R403 million, mainly due to a loss on monetary assets. Furthermore, the Group's total equity at 31 December 2023 increased by R412 million due to the requirement to restate non-monetary items for the impact of inflation. We currently expect to apply hyperinflation accounting to Ghana's performance in 2024.

Impact of IFRS 17 Insurance Contracts

The Group's insurance businesses applied the IFRS 17 Insurance Contracts standard from 1 January 2023. The comparative 2022 financial results were restated, resulting in adjustments to non-interest income (NIR) from R38.4 billion to R36.4 billion and operating expenses from R50.9 billion to R49.4 billion, with the net impact being a 1% decrease in the Group's FY22 normalised headline earnings. The Group's total equity as at 1 January 2022 increased by R1 013 million on the transition to IFRS 17.

Scan to view the results webcast

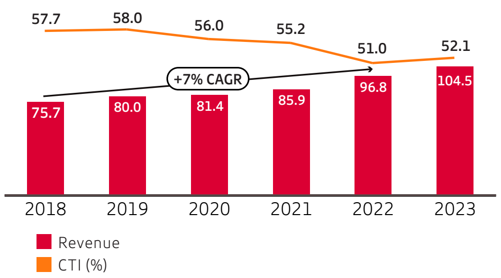
Interim Group Financial Director's message continued

The impact of key strategic choices is visible over time and therefore requires a reflection of progress over a longer-term horizon. In reflecting on our long-term value creation, it is pleasing to see how effective strategy execution has created momentum across the business.

Long-term momentum remains solid …

A key strategic shift in 2018 was to re-ignite revenue growth where we were losing market share in the period leading up to that point (up 5% between 2013 and 2018). Over the last five years, we have grown revenues by 7% on a compound annual basis while ensuring that we create an appropriately efficient business, as seen from our CTI ratio, which has declined to 52.1% from circa 58% levels in 2018 and 2019.

Revenue (Rbn)



Strong growth in Africa regions and CIB, which increased by 13% and 11%, respectively over this period, underpin this trend. These were both businesses that we invested in materially through Separation, and it has been pleasing to see this translate into strong growth. The contribution from these businesses also rose over this period, with Africa regions increasing from 22% to 29% and CIB from 24% to 29% of Group revenues.

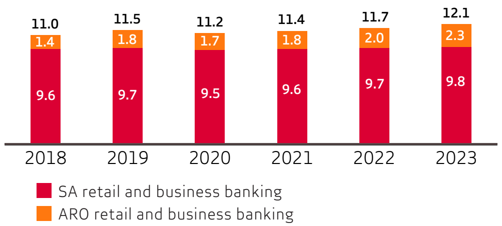
The revenue growth in the SA consumer-facing businesses has been relatively slower, growing by a compound 4% over this period, following our actions to reduce fees, customers shifting to lower margin digital channels and high levels of competition. It has been encouraging to see improved customer trends, which we analyse below.

… supported by improving customer trends

Leading up to 2018, the Group was losing market share and primary customers due to uncompetitive propositions and pricing. This was a key focus area after Separation from Barclays, discussed further in *primary partner for our clients*.

Our progress is evident in key customer metrics, such as the number of customers we have added to our SA and ARO retail businesses.

Customers (m)



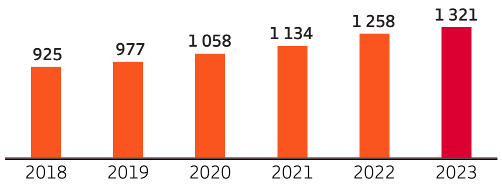
The benefit of these customer gains is not fully visible in our growth trends, given the pricing adjustments made over the same period. With these adjustments now in the base, we expect stronger growth trends from these businesses in the medium-term.

Alongside our retail businesses, we have also seen strong growth in our corporate businesses. CIB in 2018 was primarily a South African business following an asset-led approach that required a shift to become a more diversified Pan-African business with a stronger client franchise. The success of this transformation is evident in the build-out of the Transactional Banking franchise over the past five years, now constituting 47% of revenues in 2023, while client acquisition continues to be strong, with over 490 clients added in 2023.

… and balance sheet growth

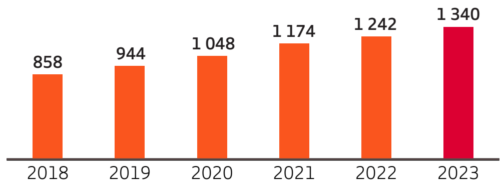
Our balance sheet growth has improved over the past five years, with loans and deposits growing by a compound 7% and 9%, respectively, over the period. Between 2013 and 2018, during a period of more stable interest rates and lower credit losses, growth was only 5% for loans and deposits.

Gross loans and advances (Rbn)



We have grown our balance sheet in a measured way over this period, where our share of SA retail advances growth has been 22.2% of the market. Growing our balance sheet over this period was deliberate, but the rapid moves in interest rates recently has somewhat contributed to our credit impairment outcome in 2023.

Total deposits (Rbn)



Strong growth in customer deposits has allowed us to fund the loan growth sustainably over this period. SA customer deposits (retail and corporate) increased by a compound 11%, and ARO increased by 12%.

… while strengthening the balance sheet[1]

We have strengthened our balance sheet with both capital and funding, and liquidity ratios have improved since 2018, with these now above our Board target ranges despite the strong growth in the balance sheet since 2018.

(%)	2018	2023
CET1	12.0	**12.5**
Liquidity coverage ratio	109.9	**124**
NSFR	110.2	**118.1**

… resulting in a different business since Separation

These focused efforts to strengthen our business to build scale and momentum stood us in good stead in 2023, given the tough operating backdrop.

[1] *Supplementary information* contains a statement of financial position and statement of comprehensive income.

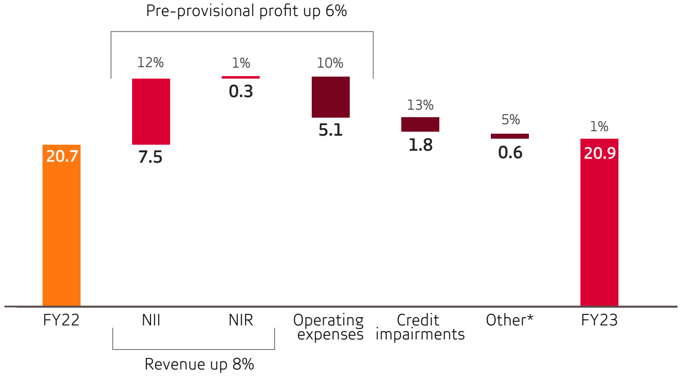
Interim Group Financial Director's message continued

A resilient 2023 performance ...

Our 2023 performance reflects the medium-term momentum, which supports resilience. However, the operating environment deteriorated more than we initially anticipated, and some once-off items had an adverse effect on our overall performance.

... earnings increased slightly as pre-provision profits were offset by higher credit impairments

Normalised headline earnings (Rbn)



Earnings growth was muted at 1%, given 13% higher credit impairments. The impact of hyperinflationary accounting has been one of the headwinds dealt with in our 2023 results, reducing earnings by circa R0.4 billion.

It was pleasing to see pre-provision profit grow by 6%, driven by 8% revenue growth to R104.5 billion, which is similar to our trajectory in the recent past and highlights our strong business momentum.

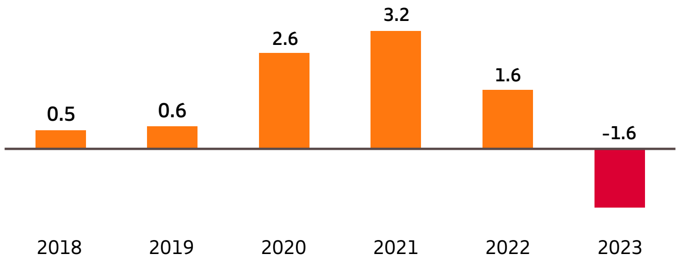
Revenue growth mainly reflects net interest, which increased by 12% YoY as the net interest margin expanded to 4.66% (2022: 4.56%), while customer loans increased by 8% and deposits increased by 9%.

... NII growth despite a lower contribution from our structural hedge

The Group has consistently used an interest rate hedging strategy since 2006 to protect the stability of the net interest rate margin. The stable 2023 net interest margin, notwithstanding the rapid increases in interest rates, demonstrates this outcome.

Due to the rolling nature of the hedge programme, our Group margin is less volatile through-the-cycle. It provides protection against low rates, although we are still positively geared to higher rates, albeit less so than unhedged banks.

Structural hedge release to income statement (Rbn)



Our structural hedge has performed as it was designed to in recent years. It provided significant protection to our net interest margin when SA policy rates were very low in 2020 and 2021, releasing R5.7 billion to our income statement over that period.

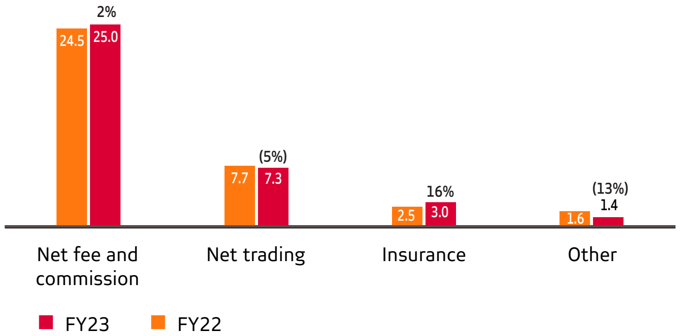
Given the significant 475bps increase in policy rates from November 2021, our hedge released a debit of R1.6 billion to our income statement in 2023, a R3.2 billion YoY reduction. The different approaches to hedging interest rate risk across the SA peers is a material driver of the differences between comparative bank performance during 2023.

We note that the overall programme return is expected to increase over time as we roll over hedges at higher rates than those maturing, particularly those entered during 2020 and 2021. This is expected to support value creation into the medium-term during a period when rates are expected to reduce.

... slow non-interest growth with stronger underlying trends

Capital lite revenue remains a priority for us and aligns with our strategic ambition to be a *primary partner for our clients*. Total NIR grew 1% to R36.6 billion, accounting for 35% of our revenue.

Non-interest income (Rbn)



While NIR growth was muted, the underlying trends were better. Excluding the impact of selling Absa Asset Management to Sanlam during 2022, total NIR increased by 4%.

Growth in our insurance revenue was a highlight, up 16%, demonstrating the benefits of integrating our bancassurance business.

The largest component, net fee and commission income, grew 2%, reduced by the asset manager fees in the base, which is now reflected in the associates line. Within this, transactional fees and commissions increased 4%, with cheque accounts and credit card fees up 5% and 9%, respectively, while electronic banking fees increased 5%, partially offset by the investment management sale. Merchant income rose 5%, reflecting higher volumes.

Net trading growth has been strong in the recent past particularly in the Africa regions. We saw a slight reduction in trading revenues in 2023 as Global Markets declined 3%, particularly in Markets SA, which reduced by 15%. This reduction includes fair value losses incurred following dislocations in the Naira currency market during the fourth quarter. This was a further headwind on our 2023 performance.

Interim Group Financial Director's message continued

... cost growth reflective of investments made

Our operating expenses increased by 10% as we continued to invest in our franchise, notably in frontline business areas, such as digital and marketing. Although our CTI ratio increased slightly to 52%, it remains significantly lower than the circa 58% in 2018 and is already aligned with our medium-term target of the low 50s. Looking at the key components:

Staff costs rose 13% to R31.5 billion, accounting for 58% of total expenses, reflecting salary increases and people investments. Staff numbers grew by 5%, predominantly in frontline business areas and mainly in RB. Bonuses grew 9% due to lower deferrals and a prior year under accrual offset by a slightly lower incentive pool.

Costs increased by R241 million relating to the Group's *B-BBEE transaction*, which was implemented on 1 September 2023. The Group issued 46 million new shares (circa 5.5%) to give effect to the structure, resulting in *7% of the Group shares to be held* by a CSI Trust (4%) and a staff trust (3%), with a total investment value over R11 billion on implementation. Employees outside South Africa participate in a notional scheme equivalent to a further 1% of Group shares.

IT costs increased by 9% to just over R6 billion due to further investment in digital platforms and cybersecurity spending. Amortisation of intangible assets rose 2%, reflecting continued investment in digital, automation and data capabilities.

Marketing rose 18% due to increased advertising and sponsorship spending, as we reinvested in our brand and product presence.

Equipment costs grew 32%, as power costs grew significantly due to worsening loadshedding in South Africa, with diesel costs increasing from circa R80 million in 2022 to circa R200 million in 2023. Depreciation declined 3%, from reduced utilisation of physical IT infrastructure and further optimisation of our property footprint.

Cash transportation costs increased by 3%, reflecting lower merchant cash volumes given the migration to digital banking and increased cash recycling.

	2023 Rm	2022 Rm	Change %	Mix %
Staff	**31 515**	27 823	13	58
Property	**1 910**	1 862	3	4
Equipment costs	**581**	441	32	1
Technology	**6 028**	5 541	9	11
Depreciation	**3 024**	3 133	(3)	6
Professional fees	**2 809**	2 884	(3)	5
Marketing	**2 032**	1 720	18	4
Communication	**1 206**	1 167	3	2
Cash transportation	**1 159**	1 123	3	2
Amortisation	**1 701**	1 668	2	3
Other[1]	**2 502**	2 010	25	5
Total	**54 467**	49 372	10	100

As we look forward, we see an opportunity to improve our productivity, extract value from investments, and reduce legacy costs. Examples include our corporate real estate and retail distribution network, where we have already seen some benefits. We have mobilised a Group-wide programme to coordinate these efforts, and we expect to deliver value over the next two to three years.

SA consumer strain driving credit charges

Credit impairments increased 13% to R15.5 billion, mainly due to increased charges in our consumer-facing portfolios in EB and PSC.

Our CLR increased materially to 118bps, well above our through-the-cycle range of 75-100bps. However, looking across the year, our CLR improved from 127bps in the first half to 109bps in the second half, reflecting normal seasonality and intense collection efforts.

[1] Other includes: other operating costs (includes net fraud losses, travel and entertainment costs), auditors' remuneration, printing and stationary and straight-line lease expenses on short-term leases and low value assets.

CLR (%)	31 December 2022	30 June 2023	31 December 2023
PSC	0.65	1.11	**0.99**
– Home Loans	0.24	0.65	**0.58**
– VAF	1.76	2.34	**2.08**
EB	6.45	9.22	**8.35**
RB	0.45	0.68	**0.56**
ARO RBB	1.64	1.69	**1.84**
CIB	0.27	0.16	**0.17**
Group	0.96	1.27	**1.18**

All our divisions besides CIB saw materially higher charges.

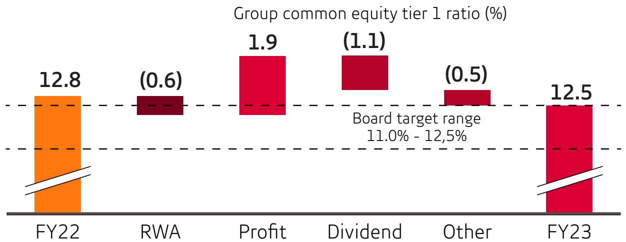
Given significantly higher policy rates and inflationary pressures, SA consumers remain under pressure, which is evident in the large YoY increases in the CLRs in PSC and EB. We have responded with appropriate risk cutbacks and increased affordability buffers in secured lending and capacity in the collections teams.

The CLR in CIB and ARO RBB are lower than their through-the-cycle loss expectations. RB increased from a low base following single-name charges and non-recurring model adjustments in the base, but the CLR remains within the through-the-cycle range.

Credit impairment trends also diverged geographically. Given the difficult macroeconomic backdrop, South Africa's charge increased 45% to R13.8 billion, pushing its CLR to 125bps, well above our Group through-the-cycle range. Conversely, driven by CIB ARO, Africa regions' credit impairments fell by 58%, improving its CLR significantly to a low 80bps.

... while maintaining a strong capital position

CET1 ratio at the top end of board target range



Interim Group Financial Director's message continued

We remain well-capitalised to fund our growth opportunities.

While our CET1 ratio reduced slightly to 12.5%, it remains at the top end of our 11% to 12.5% board target range and comfortably exceeds regulatory requirements.

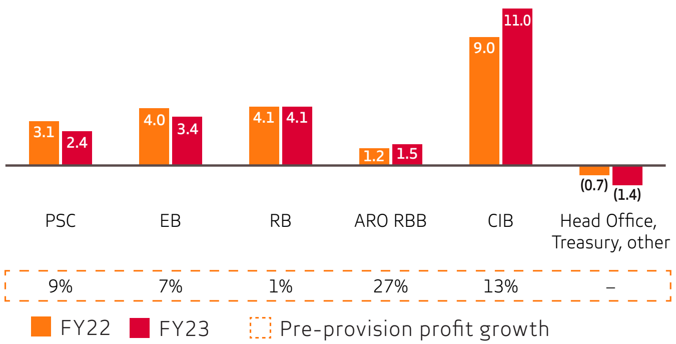
Group risk-weighted assets increased 5% YoY to almost R1.1 trillion, largely in line with the growth in gross loans and total assets.

We remain strongly capital-generative, with profits adding 1.9% to the CET1 ratio over the year, partially offset by paying R11 billion worth of dividends.

The strong CET1 ratio allowed the Group to increase our dividend payout ratio to 55% from 53%, resulting in a 5% higher ordinary dividend of 1 370 cents per share.

Material benefit from portfolio diversification ...

Headline earnings (Rbn)



Our results again show the benefit of diversification, as differing credit impairment trends produced divergent earnings growth, although all the businesses grew pre-provision profits.

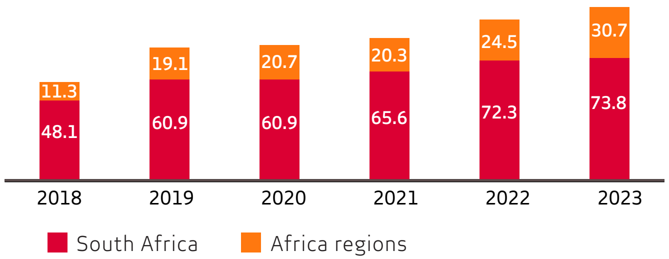
CIB's contribution to Group earnings increased noticeably, following 23% growth in 2023. The returns in this business are also attractive at 24%.

Given its strong earnings growth, ARO RBB's returns improved further to 11% although this remains well below its CoE and remains a focus area for improvement.

While lower earnings reduced EB and RB's returns, they remain relatively attractive at 24% and 26%, respectively. PSC's return on regulatory capital remains well below our CoE , reflecting its sensitivity to credit impairments.

... with higher contributions from our Africa regions

Geographic revenue split (Rbn)



With our ambition of being a leading Pan-African bank, it is pleasing to see the Africa regions' contribution to our overall Group growth during the period.

Strong 2023 revenue growth of 26% accounted for 81% of our total Group absolute revenue growth, given SA's muted 2% higher revenue. As a result, Africa regions' contribution to Group revenues increased to 29% of Group revenue from 25%. The strong medium-term growth from our Africa regions is also evident with the contribution to revenues increasing from 22% in 2018.

Given wide positive JAWS in 2023, Africa regions' pre-provision profit grew 37% to R14.5 billion, while SA decreased 3% to R35.5 billion.

Combining its lower credit impairment charge, Africa regions' contribution to earnings was even more notable, as SA earnings fell by 18% to R14.7 billion, primarily due to the elevated credit impairments as highlighted earlier.

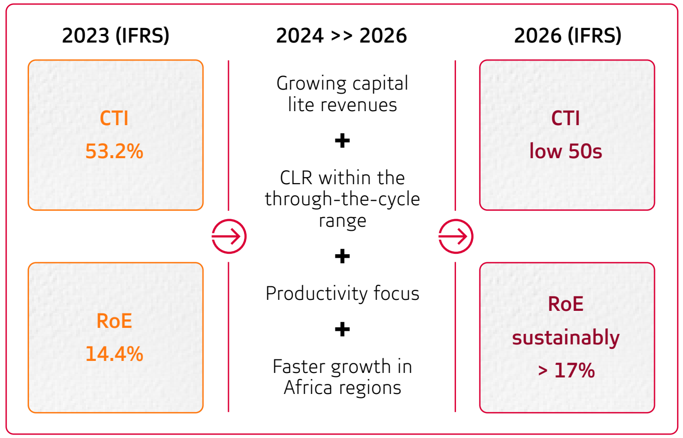
With Africa regions earnings more than doubling to R6.3 billion, it accounted for 30% of Group earnings, up from 14% the prior year, when Ghana's sovereign debt default dampened its earnings by R1.8 billion.

Some aspects of its contribution may not be sustainable, such as CIB ARO's very low credit impairment. We also continue to monitor sovereign risks in some of our key countries, while relative currency movements were less favourable in the second half. Moreover, most of our subsidiaries benefited from noticeably higher policy rates, contributing to a 30% NII growth.

We still see compelling growth opportunities across our existing Africa regions portfolio over the medium-term, partly due to far stronger economic growth and lower market shares in these markets than in SA. We expect to see the contribution from Africa regions increase sustainably over time.

Our medium-term targets remain unchanged

Our strategy remains consistent and relevant, and we are confident that we have a solid foundation in becoming a leading Pan-African bank.



Furthermore, we remain confident that our medium-term targets remain relevant.

Interim Group Financial Director's message continued

We still aim to achieve a CTI ratio in the low 50s and a RoE above 17% on an improving sustainable basis from 2026.

While our CTI is already in the low 50s, we see an improving pathway to achieving the RoE target by 2026 with the delivery of four key drivers:

- First, is growth in capital lite revenues, supported by customer acquisition and improved usage
- Secondly, we expect our CLR to normalise within our through-the-cycle range as interest rates and consumer pressure ease, particularly in South Africa
- Thirdly, we see opportunity from improved productivity as we extract value for the investments that have been made and leverage new technologies, such as AI;
- And lastly, faster growth in markets outside South Africa will provide a more diversified earnings construct over time in markets with attractive returns.

... making progress on these targets in the near term

Outlook contains medium-term economic forecasts for key Absa markets and our medium-term targets. The short-term (i.e., 2024) market guidance incorporates these assumptions and shows progress on our medium-term targets:

Short-term 2024 guidance (IFRS)

- We expect high single-digit revenue growth, driven by both NII and NIR growth, with slower YoY revenue growth in the first half, given a high first half 2023 base.
- We expect high-single digit growth in customer loans and customer deposits.
- Reflecting higher average policy rates, our CLR will likely remain above our through-the-cycle target range of 75-100 basis points but improve slightly YoY. We expect elevated first half credit impairments, with a CLR similar to the first half of 2023 of 127bps, although the second half is likely to improve to the top of our target range.
- We expect mid- to high single-digit operating expense growth, resulting in an improved CTI ratio from 2023's 53.2%. As a result, we expect high single-digit pre-provision profit growth.
- Consequently, we expect to generate a RoE of 15% to 16% in 2024, with the first half RoE below this range.
- Lastly, our Group CET1 capital ratio is expected to end 2024 in the top half of the Board target range of 11.0%–12.5%. We expect to maintain a dividend payout ratio of around 55%.

- Given material base effects in 2023, we expect elevated credit impairments, plus slower revenue and pre-provision profit growth in the first half to dampen first half earnings growth off a relatively high first half 2023 base. Conversely, we expect higher second half revenue growth to support stronger pre-provision profit growth that, combined with a lower CLR, should support better second half earnings growth versus a relatively low second half 2023 base.

Interim Group Financial Director's message continued

Peer comparison

Absa

Revenue growth (%): Absa has delivered sustainable long-term growth while 2023 reflects material benefit in unhedged banks.

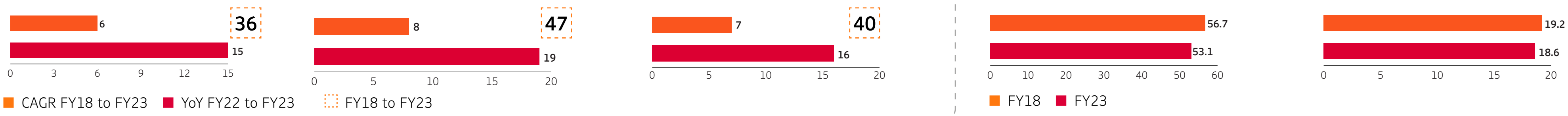
Pre-provision profit growth (%): Revenue momentum and careful cost management has ensured that Absa remains in line with the market over the medium-term, while 2023 reflects stronger NII growth from peers.

Headline earnings growth (%): Impairments are a drag on Absa's medium-term momentum, but absolute levels reflect stronger recovery post-COVID for Absa.

CTI ratio (%): Absa's efficiency ratio has improved materially and is currently trending better than market.

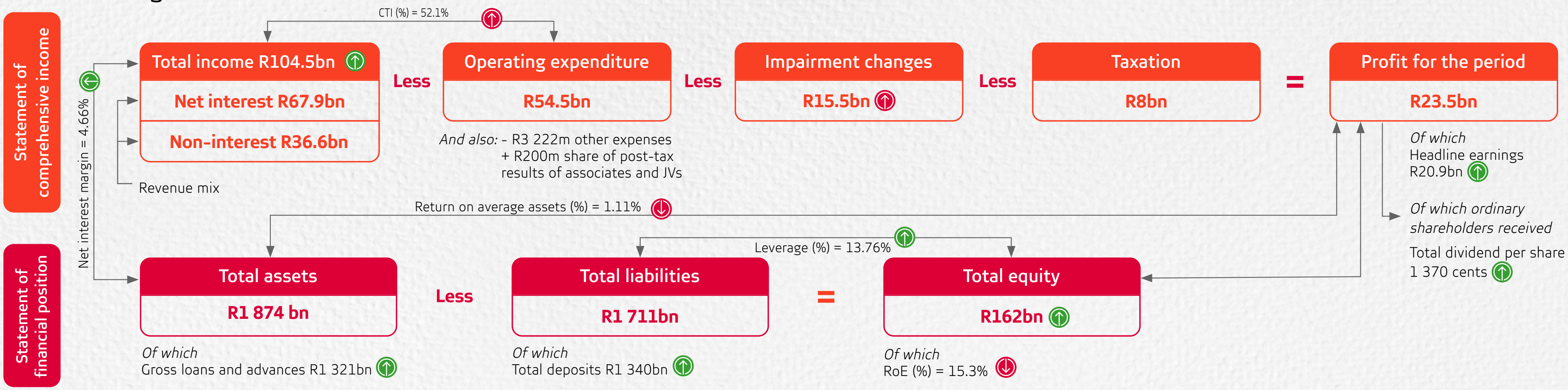
RoE (%): RoE for 2023 was lower than the market average. Medium-term progression is expected to close the gap. Refer to *outlook*.

Peer group[1] (FirstRand, Nedbank and Standard Bank)



[1] Peer data is the average for Standard Bank, Nedbank and FirstRand. Absa, Standard Bank and Nedbank results are for the year ended 31 December 2018, 2022 and 2023. FirstRand results are inferred 12 month results for the period January to December for 2018, 2022 and 2023.

Finances at a glance



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.

Accolades received

- Named the Best Retail Bank Zambia for 2023 by The World Economic Magazine
- Voted Best Overall Service Business Function in Africa, with multiple recognition accolades in the Euromoney Cash Management Survey 2023, as well as Market Leader Botswana and Uganda and Market Leader Financial Services Botswana
- Awarded Best Sovereign Bond in Africa by the EMEA Finance Achievement Awards 2023
- Voted Best Investment Bank Africa, South Africa and Mauritius in the Global Finance Magazine Awards
- Named Best Emerging Islamic Banking Window in the Global Islamic Finance Awards 2023
- Awarded Best Islamic Retail Bank in South Africa at the Middle East and Africa Retail Banking Innovation Awards 2023
- Named Best Bank for Trade Finance in Mauritius at the Digital Banker, Middle East and Africa Innovation Awards 2023.

Material matters

- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion.

Capitals affected

Contributing to SDGs

Tailoring reach and relevance to clients by ...

Our client-centric approach ensures that we tailor the reach and relevance of our products and services to align with the diverse needs of our client base.

... advancing our digital footprint

Our digital initiatives are markedly enhancing our footprint across the continent, offering a suite of digital services catering to clients' evolving needs. For example, in SA, we have restructured our pricing for digital payments, debit orders, and card swipes to promote primacy, offering more cost-effective options for our retail clients to manage their finances digitally.

A *digitally powered business* contains more information on advancing our digital footprint.

... expanding through strategic partnerships and cross-cluster collaboration

We foster strategic partnerships externally and internally to drive market share growth, enhance vital strategic capabilities, and accelerate speed to market. Joint ventures or alliances are long-term strategic agreements designed to be mutually beneficial and non-competitive, involving companies like Payfast, Yoco, and Ikhokha. Relationships with vendors or service providers do not involve revenue sharing but focus on mutual growth targets. For instance, integrating Salesforce as a uniform client relationship management tool has significantly linked service offerings to growth by enabling a single view of clients in RB, thereby improving client service and experience.

Our partnership with the Master Card Foundation in Ghana has enabled us to expand our lending to SMEs at affordable prices in an environment with extremely high interest rates.

We expanded our reach through strategic partnerships and bancassurance strategies, unlocking market, client value and integration opportunities. For example, we collaborated with Woolworths Financial Services to be the first bank in South Africa to launch a digital pet insurance offering known in the market as Absa Pet Insure, catering to the vast number of local pet owners.

Together with Private Property, Absa Home Loans delivered the third Real Estate Industry Summit in South Africa, embedding our market leadership position and supporting thought leadership in the industry.

Cross-cluster collaborations saw our CIB and PSC teams working closely to deliver broader franchise value. Supporting our strategic intent to further strengthen partnerships in the industry, capabilities such as a business development function in Absa Vehicle and Asset Finance have been established. This will further enhance our collaboration in the dealer network, as well as with original equipment manufacturers, to unlock new growth opportunities and solutions for clients.

The Life Insurance offering was embedded within the Ultimate Banking product, and through integrated propositions, we saw an increased number of new-to-bank Home Loan clients change their primary banking relationship to Absa. Furthermore, our application and execution of applied analytics enhanced our ability to meet client needs, evidenced by the take-up of our funeral offerings in the entry-level market. We aim to drive client acquisition in Non-Life through expert execution of advanced analytics and client relationship management technology. Finally, cross-functional formal campaigns were held to accelerate the Employee Care Plan product into the SME segment.

... pursuing global expansion for diversified client services

We are committed to serving our Pan-African clientele by establishing capital inflow from all corners of the globe. This international corridor mindset caters to clients engaged in international business, offering them localised support and expertise. We have made strong progress in building connectivity for global clients into Africa through expansion of our international corridors by establishing a physical presence in China in 2024. Operationalisation of the China office will provide corporates, banks and institutions headquartered in China with advisory services on the execution of services and transactions across Africa. Absa Mauritius reached an agreement to acquire the Domestic Wealth, Personal Banking and Business Banking business of HSBC in Mauritius, subject to regulatory and

A diversified franchise with deliberate market-leading growth continued

other approvals. This will enable our Mauritius operations to further increase the scale of its Retail and Business Banking division, leveraging off existing resources, expertise and infrastructure. The transaction demonstrates that we remain purposeful in exploring merger and acquisition opportunities to support our ambition for outperformance, weighing up strategic investment opportunities.

Targeting growth in attractive client segments through …

… data-driven client engagement

Pursuing growth in attractive client segments is a dynamic and multifaceted strategy. One of the initiatives pursued during the year has been investing in data commercialisation efforts, enabling the provision of targeted offers to clients. This approach has been instrumental in enhancing client engagement and driving growth.

We also adopted a qualitative research approach to better understand our South African retail segments. This initiative has provided us with valuable insights, particularly in terms of the inclusive segment. By leveraging market research and client data, we aim to develop attractive value propositions that resonate with our target audience. The research findings will help us create more relevant propositions and ultimately assist in deepening financial inclusion. We are also addressing the legacy perception around value for money by adjusting pricing and propositions.

… supporting women, youth entrepreneurs and young professionals

To cater to the needs of the SME segment, we launched unique banking solutions to support youth and women-owned businesses. The Emerging Entrepreneur and Business She Thrives propositions, for example, offer financial and non-financial support crucial for the growth and prosperity of these businesses. The Digital Lioness Funding Ready Playbook, launched in August 2023, targets women entrepreneurs, offering them guidance to make their businesses bankable. This digital resource represents a focused effort to support and empower female-led SMEs. A market-leading Women in Business proposition has seen success in Kenya, Ghana, Botswana and Zambia.

For the youth, programmes like Absa Young Africa Works and youth propositions have been developed to nurture the next generation of clients. For young professionals in South Africa, we built on our 2022 groundwork by enhancing our value proposition. This includes a sharper focus on growth through internal channels, 12 months of free banking for prospective clients, and increased engagement through physical activations and digital media campaigns. The impact has been significant, with over 1 800 young professionals onboarded, marking 50% growth in this segment.

Strategic focus areas included establishing an ARO Centre of Support and aligning with CIB in areas like Trade, Transactional Banking and Enterprise Supplier Development. The Agency Banking proposition enables us to service and acquire clients through new client touchpoints, increasing our reach beyond physical and digital channels. This proposition has been successfully implemented in NBC, Kenya, Uganda, Ghana, Tanzania, and Zambia. This approach also shows our commitment to supporting SMEs, recognising their vital role in economic development.

… enhancing offerings for diverse segments

We established Private Wealth as a standalone unit within RB and built adequate capacity to cater to the affluent segment. Within this framework, we further refined services into sub-segment units, including Private Bank, Wealth, and Family Office. Each unit offers bespoke services, focusing on personalised interactions, wealth management, and exclusive offerings across the Private Bank and Wealth and Investments continuum. We have invested in improving client service and have seen positive results in our client service metric.

We utilise our deep-rooted agricultural specialisation to unlock secondary agri opportunities, demonstrating a strategic approach to sector-based growth. Our Agri-Wealth pilot in South Africa leverages our strength in agri business to extend our Wealth offering to eligible clients. NBC's agricultural value proposition also stands out as a notable achievement. This proposition has been tailored to meet clients' needs, demonstrating a deep understanding of this critical industry's unique demands and challenges.

We recognise there remains an opportunity to deepen the services offered to affluent clients in our presence countries outside South Africa. We therefore launched an onshore Wealth proposition and enhanced the offshore Wealth proposition in Mauritius, and, in Kenya, we launched a successful Investment offering for our affluent clients. The affluent client segment has also seen the introduction of various propositions, like the pensioners' value propositions in Mauritius, Premier focus in Mozambique, and a diaspora offering in NBC, Zambia, and Kenya. These initiatives cater to the nuanced needs of affluent clients, offering bespoke services and solutions and enhancing market competitiveness.

For the core-middle segment, initiatives like the Teacher's value proposition (NBC), enhancements to Timiza in Kenya, and Digi Account/Digi Loan in Mauritius have been launched, reflecting a nuanced understanding of segmental needs. Across our ARO markets, we achieved double-digit growth in our affluent and core-middle market segments, reflecting our focus on providing exceptional client service and solutions.

Our commercial banking sector focus in South Africa has shifted to a segment-focused model, allocating dedicated resources and expertise to clients. This approach, implemented since mid-2022, allows the bank to provide more specialised and relevant services to businesses, enhancing and customising their banking experience. This includes an ongoing development of fit-for-purpose sector value propositions, such as those for Wholesale, Retail and Franchise, Public Sector, Transport and Logistics, Manufacturing and Secondary Agriculture.

The midcorp segment has been identified as an attractive client segment from a Pan-African perspective, especially in the context of foreign exchange revenue generation. The investment in physical resources in 2021/2 has resulted in robust revenue growth despite the challenging macroeconomic environment in South Africa. Growth in this segment has been driven mainly by focusing on new-to-bank and new-to-product clients.

We believe that dynamic segmentation drives client primacy, retention, engagement and cross-selling opportunities, ultimately delivering market-leading growth for the Group. *Primary partner to our clients* explores these benefits further.

Renewing and expanding product suites by …

Renewing and expanding product suites is integral to modern banking strategies, focusing on offering integrated propositions that deliver substantial value to clients. This approach hinges on developing comprehensive packages, innovative product designs, and strategic partnerships to enhance client experience and drive business growth.

A diversified franchise with deliberate market-leading growth continued

... launching differentiated banking packages and driving innovative product design

Key to this strategy is the introduction of differentiated banking packages that drive primacy and offer cross-selling opportunities. For example, within our South African retail banking offering, our Gold Package stands out as the credit card with no monthly fee, day-to-day banking services and *Free Rewards*. Clients receive approximately R1 000 in banking value and rewards for a monthly cost of R135, offering more than five times the monthly fee in value for money. Similarly, our Premium Package, priced at R229 per month, offers similar benefits but provides around R1 300 in value. Moreover, clients continue to benefit from embedded life cover included in their monthly fees.

Innovation in product design is also a critical element. We introduced new card designs across the South African retail continuum, endorsed by over 2 000 clients and frontline staff. The launch included unique features like metal cards for Wealth and Private Bank clients and an augmented reality game, Absa Card Quest, enhancing client engagement.

... developing tailored propositions

The Islamic Wealth proposition in South Africa marks another significant development, which started with launching the Islamic Wealth Structured Certificate in collaboration with BNP Paribas. This initiative is part of a phased approach that includes a tactical transactional Wealth solution and plans to introduce additional solutions, like Home Loans and an Islamic Wealth bundle, in 2024.

Fiduciary services within RB also expanded to include offshore trusts and tax advice, while the Executive Wealth offering, rolled out towards the end of 2023, served as a pilot for an open market offering in 2024. We strengthened our Private Wealth value proposition in South Africa through a banker/advisor strategy to increase penetration in advice and investments. We also participated in formal campaigns directed towards the SME segment and saw collaboration between Private Bank and Home Loans to provide unique solutions to the needs and grow our legal entity and property investor client base.

The Custody and Trustee products and services roll-out across key ARO markets is a crucial development, with regulatory notifications to the SARB (Prudential Authority) for the relaunch currently underway.

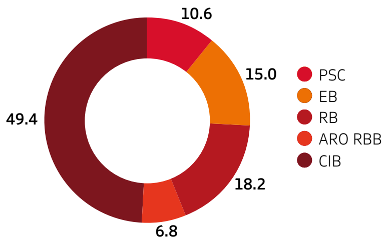
Finally, new product launches for retail and business bank clients in our ARO markets are planned to drive client and revenue growth in 2024, underscoring our commitment to innovation and client centricity in our product offerings.

Resulting in resilient and diversified franchise performance

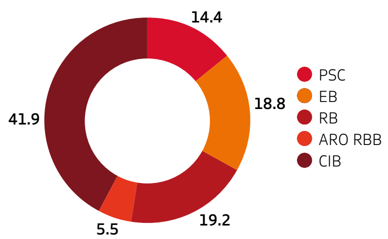
We are purposeful in our efforts to create a more diversified business across geography, segment and product, as we look to areas with attractive growth prospects. Since 2019, we have significantly improved the contribution to revenue of our ARO operations from 23.9% to 29.4%. We will increase this diversification in future by allocating capital to attractive growth prospects on the continent. Africa regions' earnings reflects a recovery after a slow exit post-pandemic with headline earnings of R6.3 billion, which contributed 29.9% to the Group earnings in 2023 (2022: 13.3%).

The benefit of a diversified portfolio was demonstrated through strong performances in CIB and ARO, which offset the strain observed in the SA consumer-facing portfolios. CIB demonstrated resilience, with earnings growing 23% YoY to R11 billion, with ARO RBB also delivering strong growth in earnings, up 27% YoY to R1.5 billion.

Headline earnings per segment 2023 (%)



Headline earnings per segment 2022 (%)



Where to from here – focus areas 2024

- Delivering sustainable shareholder value
- Accelerating geographical diversification
- Focusing on growth in specific segments and products across all our markets
- Boosting primacy and NIR through deepening client relationships as well as increasing our penetration of international banking and bancassurance products
- Improving productions and generating returns on investments made
- Increasing South African retail client base by focusing on entry-level and inclusive banking and SME client base
- Growing large corporate clients in key sectors with international support
- Expanding commercial and wholesale operations in selected sectors.

The takeaway from this story ...

Our resilient results were supported by a diversified business, geography and products. We will continue to focus on expanding our business by focusing on different geographies, segments and non-interest-generating products.

The primary partner for our clients

We will be the primary partner for our clients by truly understanding and meeting their day-to-day needs, creating and delivering value across the entire client relationship. We will build a brand our people and clients can be proud of.

Accolades received

- Awarded Best Agri Business Botswana and Best SME Bank Botswana at the 2023 Global Banking and Finance Awards®
- Voted Best Overall Service Business Function in Africa, with multiple recognition accolades as part of the Euromoney Cash Management Survey 2023, including Best Overall Service in Uganda, Best Service (Medium Companies) in Zambia, Best Service (Small Companies) in Botswana
- Won Best Direct Delivery Team (Absa Insurance and Financial Advisers) at the 2023 Contact Centre World Top Ranking Performers Awards (Europe, Middle East and Asia)
- Voted number one in the SA Life Insurance Industry (Absa Life) for the second consecutive year
- Won the Next 100 Global Awards – Bank for Information Security and Fraud Technology and the Excellence in Client Service Innovation award by Global Banking and Finance Review – UK
- Awarded Best Banking Brand Mauritius and Most Innovative Banking Brand Mauritius by Global Brands Magazine.

Material matters

- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition.

Capitals affected

Contributing to SDGs

Improving primacy and client acquisition by …

… delivering innovative offerings

The retail banking landscape in South Africa has witnessed significant advancements in 2023, particularly in improving primacy and client acquisition. A pivotal change has been the introduction of Free Rewards, which led to a 207% increase in new sign-ups. Notably, a substantial portion of these sign-ups (46%) constitute new-to-bank and new-to-transactional clients, with a year-on-year increase in their participation. This enhanced rewards proposition, coupled with cross-sell capabilities, has improved product holding and elevated revenue per client. The growth trajectory of rewards sign-ups is impressive, multiplying by three times the previous year's rate, with over 200 000 clients advancing to higher reward tiers.

Our client-centric pricing philosophy aims to rejuvenate primacy and drive growth. In this regard, completing a three-year pricing transformation journey to address client feedback regarding costs has been pivotal.

This initiative resulted in significant price relief since 2020 of R1 billion, bolstering the bank's value-for-money proposition. Notable offerings, including zero monthly fees for student account credit cards and study loans at prime rates, have significantly contributed to a solid sales performance.

In May 2023, we launched three-in-one retail packages focused on acquiring and upgrading high-value clients. The packages were supported by robust above-the-line marketing[1] campaigns, further enhancing their reach and impact. Exciting new propositions yielded significant impact in the year, with the Dynamic Fixed Deposit campaign generating over R15 billion in new funding, contributing significantly to the bank funding, supported by personalised client engagements and above-the-line marketing.

We also introduced several integrated product offerings, further bolstering our market position. The introduction of revamped credit protection for Home Loans and Vehicle Finance and rebuilding the new Card Credit Life product are notable examples. These initiatives have diversified our product portfolio and optimised sales journeys, making them more client-friendly and efficient.

EB further enhanced the forbearance process by increasing the capacity to serve clients with relative speed, improving models to proactively detect distressed clients, and tailoring solutions accordingly. The debt review process was further improved and automated to respond to debt counsellors quickly and efficiently. As a result of these efforts, the business was awarded three accolades at the Debt Review Awards, recognising the seamless processes, which have now been rated as the best in the industry.

We strongly emphasised hosting strategic sector and segment-specific client events across various geographies. These events have been instrumental in deepening client relationships, sharing industry best practices, supporting innovation, and facilitating acquisitions. This approach has helped strengthen our sector presence and positioned Absa as a leader in fostering collaborative and innovative banking solutions.

Innovative offerings not only drive primacy and acquisition but are integral to developing a *diversified franchise* with market-leading growth.

	PSC	EB	RB	ARO RBB	CIB
Client primacy Pan-Africa (%)[LA]					38.4
Active clients (thousand)[LA]	3 357	7 143	469	2 354	
Active transactional clients (thousand)[LA]		4 615	401	1 395	

	PSC	EB	RB	Retail	BB	SA RBB
Average product holding	4.21	2.72	3.60	2.64	2.64	2.64

… driving primacy through technology

The bank's digital platforms have been crucial in enhancing client experience. Clients increasingly choose digital channels for transactions and engagements, demonstrated by the high-digit growth in digitally active clients to 3.8 million and heightened commerce.

[1] Above-the-line marketing activities are broadcasted to a mass audience through mediums such as TV, radio, and the internet.
[LA] Limited assurance.

The primary partner for our clients continued

The Absa Banking app maintained excellent app store ratings of 4.7 and 4.6 on iOS and Android, respectively, with the latter improving from a rating of 4.2 in the previous year. The mobile app has been expanded to include a comprehensive suite of lending and deposit products, significantly transforming client engagement and distribution efficiency. This digital shift is supported by substantial investments, training, and proficiency initiatives, particularly in branch environments where digitisation and migration of services are prioritised.

We launched several innovative products and services, further solidifying our digital presence. These include the successful launch of an augmented reality game to enhance client engagement, a fruitful digital hackathon, and impressive sales figures following the introduction of the Credit Card on the app. Other notable achievements include processing significant transactions through PayShap, the successful introduction of Islamic Depositor Plus, and remarkable sales of Transact and Flexi accounts on the app. The growth in Personal Loans Self-service Settlement Quotes and the opening of the Credit Protection Plan for overdrafts are also noteworthy. We have also seen a surge in digital vehicle sales, increased engagement with our award-winning chatbot, Abby, and consistent growth in the NotifyMe client base.

We have enhanced our self-service capabilities with the new card management feature, enabling clients to perform various banking transactions, including inter-account transfers and beneficiary payments, with their business credit and/or debit cards.

Moreover, clients can now access documents, such as Audit Certificates, Cross-Border Letters, eNatis Documents, and Settlement Quotes, on demand through our online banking and mobile app. Since July 2023, over 3 000 requests have been fulfilled using this capability, demonstrating the effectiveness and popularity of these digital solutions.

In Home Loans, the delivery of our integrated acquisition capability has made significant strides. This capability will improve client and employee experience, reducing the average application processing time from 5.1 days to a single day.

Moving beyond the realm of banking, we have focused our attention on enhancing our Activate Insurance app. This client-centric upgrade has enabled users to effortlessly add new vehicles to their policies and amend existing vehicle details. By simplifying these processes, we empower our clients with greater control and flexibility, making their insurance experience more intuitive and responsive. Instant Life, a digital life insurance platform and product, provides up to R6 million in digitally underwritten Death, Accidental Death, Disability, Critical Illness and Cancer coverage targeted at middle- to high-income client segments. Instant Life's fully digital underwriting capability is innovative, enabling speed and, consequentially, a quicker turnaround time at which sales can be completed through advanced and efficient underwriting.

ARO's new digital onboarding capabilities, which went live in the second half of 2023 in Seychelles, Kenya, Zambia, Botswana, Ghana and Tanzania, contributed to an upward trend in digitally active clients.

Read more about our technology estate and digital capability as a *digitally powered business*.

... by simplifying processes and fast-tracking service

The continuous improvement in client onboarding and service delivery has been a critical focus, emphasising streamlining work processes and reducing turnaround times. These efforts are crucial in enhancing client satisfaction and acquisition, as they directly impact on the client's initial experience with our services.

A significant advancement in our strategy has been embedding digital tools to manage and process client requirements more effectively. These tools have improved operational efficiency and provided clients with a more seamless and satisfying experience.

Our initiatives to fast-track client service have yielded remarkable results. For example, in South Africa, we have successfully shortened the Private Bank Card application process from three to seven days to just three to six hours. Another significant achievement is reducing client onboarding turnaround time from seven days to 25–45 minutes.

We actively address identified service constraints and encourage client traffic towards virtual channels through targeted communication. The development of the 'Named Banker on App' feature, set for deployment in 2024, is underway, promising to further personalise and enhance the banking experience. Additionally, we have concluded a pilot for physical channel services and are evaluating the data to develop the next steps.

We have reviewed and streamlined the Mega-U account opening process. Since November 2023, Private Wealth clients in South Africa can have their children's (under 18) accounts opened and cards delivered without entering a branch. This simplification significantly eases the process for busy families, aligning with our commitment to client-centric service.

Within the Non-Life business, we have improved our retention capability and streamlined service delivery, resulting in enhanced client retention and a more coherent client experience. Service delivery has been streamlined by combining various client interaction points under one umbrella, ensuring a more cohesive and efficient client experience. Accordingly, there has been growth in gross written premiums, which increased by over 8% YoY.

Resulting in superior client experiences ...

We are obsessed with our clients but recognise that we may not always be able to meet their expectations to the fullest extent, giving rise to client complaints. However, we want our clients to feel that their best interests are always considered, especially during a complaints process. Ultimately, we want our clients to feel they have been treated fairly. The Treating Customers Fairly (TCF) score measures our clients' perception of our performance against the Conduct Standard for Banks and the expected TCF outcomes. The Client Experience Index (CXI) score measures the service quality experienced by our clients, and the Ombudsman oversees the number of client complaints in the industry.

Measurement (%)	Trend	2020	2021	2022	2023
Customer experience – RB	▲	70	64	59	**90**[LA]
– EB	▲	84	87	90	**107**[LA]
– PSC	▲	81	84	86	**100**[LA]
– RBB ARO					
– Retail banking	▲	78.7	80	81.7	**99**[LA]
– Business banking	▲	73.1	70.4	70.5	**94**[LA]
Client experience – CIB	▲	72	79	79	**84**[LA]
TCF – RB	▲	82	80	76	**81**[LA]
– EB	▲	88	89	88	**91**[LA]
– RBB ARO					
– Retail banking	▲	85.3	85.3	85.4	**87.2**[LA]
– Business banking	▲	79.7	82.7	89.8	**84.5**[LA]
– CIB	▲	88	88	87	**89**[LA]

[LA] Limited assurance.

The primary partner for our clients continued

CXI continues to improve across business units. EB maintains a CXI well within the 'excellent' range, with notable improvements across segments. PSC also scores within the 'excellent' range despite a difficult interest rate environment, resulting in consumer strain. RB showed marked improvement, now scoring within the 'very good' range after turning around a downward trend. Our CXI scores for ARO RBB showed double-digit improvement, far exceeding our planned retail and business banking targets, reflecting our focus on improving our product offerings, service capabilities and service experience.

Through proposition enhancements, pricing and Free Rewards, supported by efficient resolution of queries and complaints and good digital channel experiences, PSC was able to drive positive sentiment among clients.

CIB client experience scores in various ARO countries significantly surpassed our growth targets, with new digital channels outperforming legacy channels in client experience. Improvements in handling complaints were also noteworthy, with six out of 10 Pan-African markets exceeding satisfaction targets. In South Africa, despite initial impacts from digital migrations, we achieved a 3% increase in overall client satisfaction, demonstrating the successful implementation of our digital strategy.

TCF overall scores improved across RB, CIB and EB, with strong ratings achieved across business units on the safety and security TCF outcome of treating company's/clients' private information as confidential, as well as trusting Absa to behave honestly, indicative of the sustainability of our conduct.

Absa received the least amount of Ombudsman for Banking Services complaints for the fourth consecutive year out of the big five banks. Absa opened 34% fewer complaints than our next competitor. The industry increased the complaint volumes at the Ombudsman for Banking Services by 8.4%. Absa, however, reduced our number of complaints by 5.6% YoY or 58 complaints. This was achieved through rigorous management of complaints across the Group combined with the focus on reducing the conversion of referred complaints to formal complaints.

... and a brand we can be proud of

Following a business strategy review in 2022, we defined our new purpose, which has led to a renewed sense of pride, optimism and energy in the organisation. Among clients, brand consideration has shifted upwards from 38.7% in 2022 to 41.8% in 2023, showing improved client experience. In light of this, we critically reviewed our brand and its ability to continue to support our new direction as a business. We spent much time tracking market perceptions and sentiment concerning our brand and reputation.

We identified the following areas to be tackled:

- Use our brand more effectively to drive primacy by being more compelling and distinctive
- Build a more cohesive narrative around our story and reputation that leverages our strategy of being an active force for good and promoting financial inclusion.

These two deliverables are supported by an improved marketing operating model, fit-for-purpose partnerships and stakeholder management. We have reconstituted our marketing and communications delivery approach to build brand appreciation and advocacy and have clearly defined what we want to differentiate us.

The resultant repositioning aims to reinvigorate the brand's status, personality, and message while retaining many of the existing components of our identity. Strategically, the aim is to update clients' perception of the brand.

To achieve this in a deliberate manner, the organisation ran a comprehensive six-month cross-company process to develop the new approach to our brand. We are excited about the output and the ownership of this output across the business.

Our new approach is centred on the nature of our client relationship and how we can make our relationships more empathy-led and meaningful. This is supported by a digitally enabled client experience, making banking with us far easier and seamless. We know that the outcome determines the true measure of success and have embarked on a programme of internal engagement and culture alignment to ensure that we deliver on our promise beyond expectations. This commenced during 2023, with two extensive brand campaigns, titled *Power Your World* and *My Bank Does That*, showcasing the organisation's functional prowess across all business areas.

Absa also repositioned its business and brand to the market, signalling a shift to being a more deliberately customer-centric business with the new brand promise of 'Your Story Matters'. It aims to set a clear trajectory to ensure that the organisation's entire suite of services and offerings lives up to being a more human-centred, empathetic banking services provider by seeing an opportunity in everyone's stories. The refreshed brand strapline is part of the business' ambitions to align its offerings and brand experience with its internal corporate purpose launched in 2023 of 'Empowering Africa's tomorrow, together ... one at a time'.

Where to from here – focus areas 2024

- Improving client experience and value propositions while utilising comprehensive metrics for client engagement
- Expanding wallet share among high-value retail and business banking clients
- Leveraging the Absa Rewards programme to drive engagement across a broader client base
- Unlocking the potential in the entry-level segment through scalable solutions to drive financial access and inclusion
- Enhancing client-centric propositions and deepening relationships
- Creating integrated, omnichannel solutions with value-added services
- Developing personalised interactions and engagement through deep client analytics.

The takeaway from this story ...

We are building deeper relationships with our clients and will continue to pursue opportunities to build non-interest revenue. We are launching client-centric propositions supported by integrated omnichannel solutions and value-added services.

A digitally powered business

We aim to be a digitally powered business delivering seamless experiences to delight our clients and employees, shape the future with data and applied AI, transform our technology landscape and be the home of Africa's top technology talent. Furthermore, strengthening trust and security while promoting agility will enable our ambition to achieve the bank's outperformance strategy.

Accolades received

- Named Best Bank for Digital Banking Services South Africa 2023, Best Bank for Digital Transformation South Africa 2023 and Excellence in Innovation as part of the Global Business Review – UAE, presented by Digital Banking South Africa
- Awarded Best Digital Bank in Seychelles for 2023 by Digital Banker Africa
- Received Best Digital Banking Initiative, Best and Most Innovative Digital Banking and Best Self-Service Banking (Absa Mauritius) at the Digital Banker, Middle East and Africa Retail Banking Innovation Awards 2023
- Awarded Best Digital Bank Botswana and Mauritius
- Awarded for Outstanding Use of Technology by a Transaction Bank, Mauritius, as part of the Digital Banker, Middle East and Africa Innovation Awards 2023
- Won Silver Recognition Award for MobiTap at the Qorus Reinvention Awards in Botswana
- Awarded Best in Technology (Client Engagement) at the BCX Digital Innovation Awards
- Awarded the Elevating Experience Management Award (Silver) at the Verint Innovation Awards 2023 (London)
- Awarded the Digital Banking Client Satisfaction and Happiness South Africa 2023 Award and the Best Digital Bank South Africa 2023 Award by the Global Banking and Finance Review
- Awarded Best Digital Bank – South Africa, Best Digital Banking Initiative – Use of Fraud Technology in Banking by the Digital Banker Singapore, as part of the Global Retail Banking Innovation Awards 2023
- Awarded the Bank Project of the Year (Absa Bank Ghana) for their investment feature on the Absa Mobile App presented at the Annual 2023 Excellence Awards from the Project Management Institute Ghana.

Material matters

- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Rising regulation
- Evolving employee value proposition.

Capitals affected

Contributing to SDGs

Our digital strategy aligns with our organisation's long-term ambition of outperformance. However, digital transformation is about delivering value to our customers, clients, employees and, ultimately, our business. Developing the Absa technology roadmap was a holistic process that the Group completed across all its business units and functions in 2023.

The technology roadmap has four focus areas:

- Delivering seamless experiences to delight clients and employees
- Shaping the future with data and applied AI
- Transforming the technology landscape
- Being the home of Africa's top technology talent.

Our implementation approach is to think big but start small and learn fast. To ensure the technology roadmap is focused on outcomes, we were guided by crucial design principles – all in service of banking architecture that fosters innovation and solution delivery at greater speed. This approach, powered by digital, data and AI innovation, equips us to thrive amid the evolving macro environment.

Our technology roadmap progressed in 2023, and we continue to build on this success in 2024, marking our first year of full execution. We have made significant advancements in digitising our operations, positioning Absa to become digital leaders.

Delivering seamless experiences to delight our clients and employees ...

Our digital transformation journey as Absa is driven by digital adoption, digital experience, and digital value. We are accelerating our digital adoption by increasing the number of digitally active customers and digital transaction volumes on our digital platforms as we seek to make banking seamless for our customers and employees.

We continue to enhance our clients' 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.

... by advancing our technology estate

Absa Access

Absa Access is a digital banking platform where corporate clients and employees can access all banking services in one place through a single sign-on. Overall, client satisfaction with electronic banking channels enjoyed positive momentum. Our client experience on the Absa Access channel has improved with increased security measures, expanded functionality, and simplified use of electronic channels. Clients identified channel onboarding, availability of assistance, and the ability to self-service as key focus areas to be prioritised. Improvements in electronic banking channels were noted, with enhanced security, easier login, and better support compared to prior years. The migration to Absa Access is on track, with 100% of the ARO client base and 67.1% of the

A digitally powered business continued

SA client base migrated, resulting in 79.5% of ARO clients and 81% of SA clients being digitally active. As we complete the migration to Absa Access, we will focus on maintaining channel resilience and ensuring a sustainable level of client experience.

Abby Virtual Assistant

Following the success of the award-winning Abby Virtual Assistant, we continue to focus on increasing the number of navigational features that Abby can utilise as part of our commitment to improving client servicing. The next phase of enhancements aims to create a seamless handover experience between Abby and a live agent to assist with end-to-end client solutions.

We have also applied chatbot functionality using natural language processing to the internal service desk, an essential part of the IT and internal client support infrastructure, enabling the team to resolve issues faster.

ChatWallet

The programme is aimed at creating a chat-based digital banking wallet that is affordable, with easy-to-understand pricing, enabling the ability to transact digitally with a simple product offering and a single store of value. Built on the most modern and scalable technology, development is completed, and ChatWallet is now available in South Africa.

Nucleus programme

The Nucleus programme remains critical to the Home Loans business and is a game-changing platform for Home Loans to deliver processes to enable our strategy and to improve clients, employees, and partners' digital experience while transforming processes and technology to future-fit capabilities.

Life Advisor proposition

With the industry-first Instant Life Advisor value proposition, advisors can now sell complex, higher cover and fully underwritten policies with flexible premiums that can be in force immediately. The previously lengthy manual underwriting process has been replaced by an enhanced, digital end-to-end process that uses dynamic underwriting and algorithms to potentially issue a policy in a few minutes. Advisors also have access to a secure portal to view, manage and adjust client policies where necessary, subject to client approval. This digital advancement enhances the overall client and advisor experience, allowing for policy activation and servicing online.

... and taking steps to continuously improve

Furthering our digital channels

Enhancements in our digital service offerings have significantly bolstered our digital channel's contribution to 22% of overall EB sales. We have implemented debit order and salary switching capability onto the mobile channel, facilitating a more seamless financial management experience for our clients. Our efforts have enabled clients to obtain paid-up letters for Personal Loans on the Connected Banking and mobile app channels. Additionally, we have seamlessly integrated Digital Lotto directly into iThuba, enhancing our offerings.

In a pioneering step, we opened the first non-credit Ultimate Banking account from a production branch. Additional enhancements were implemented on Connected Banking and the app to include information screens explaining Visa offers and benefits that are available to the client. We have also empowered non-Client Information File (CIF) clients to register for the PayShap payment function on Connected Banking and the app, expanding our accessibility.

Our technological advancements are highlighted by the successful deployment of the Absa website to the new Absa-managed Amazon Web Services (AWS) cloud environment. Likewise, the Absa app has been scaled to offer a comprehensive suite of lending and deposit products such as credit cards, overdrafts, personal loans, depositor plus, cash invest tracker and client switching on the app. Credit card control has also been launched across eight countries on digital channels, which allows clients to increase their credit card limits, activate their cards, view their digital cards, freeze or unfreeze cards, reset their pins, view pins and order a replacement card. These self-service functionalities have decreased calls or branch visits, thereby contributing to lower utilisation of higher cost channels and enabling offers of R7 000 limit increases via digital capabilities.

In line with our focus on the security of our digital platforms, we introduced Mobile In-App Authentication, a major security update to digital platforms that allows clients to bank more securely and minimises the severity and possibility of data breaches.

Ensuring end-to-end digital onboarding functionality

We have enabled Liquidity Plus account onboarding for existing sole proprietary clients, setting the stage for a forthcoming launch on our mobile app. The mobile app also boasts end-to-end onboarding for the Cash Invest Tracker product. Furthermore, we launched end-to-end onboarding for Credit Card products on the mobile app and Connected Banking and enabled new Absa clients to open Transactional Flexi and Transact accounts on the app. We also deployed the capability for clients to open Islamic Depositor Plus investment products on a digital sales platform.

Salesforce platform adoption has increased, improving client and product onboarding turnaround time. Moreover, our digital onboarding programme, initially focusing on current and savings accounts, is live across five countries and has resulted in 90 000 new-to-bank clients being seamlessly onboarded.

Developing new products

We launched PayShap, an innovative instant payment rail that allows clients to push payments to one another within 10 seconds. Absa participated in the industry build, test and deployment of PayShap. Additionally, a new Savings and Investment Islamic Demand product has been introduced to our portfolio. We also delivered Rapid Payment capability on Connected Banking and the USSD channel.

Notably, our first-to-market, buy-now-pay-later solution on Credit Cards was launched across six AROs and allows clients to manage their larger purchases more effectively through an instalment offering. Likewise, the first-to-market MobiTap solution was launched across six countries. This solution allows our merchants and small, micro and medium enterprises (SMMEs) to turn an Android phone into a PoS device. Since its launch in July, 5 593 devices have been registered. Another first-to-market launch of Absa Card Send capability was delivered across six countries. It allows clients to send money directly from their Absa mobile or USSD applications to any Visa card client within any country, enabled for the Visa Direct Global solution worldwide.

Payments via digital devices such as Apple Pay, Samsung Pay, Fitbit Pay and Google Wallet increased by over 100%, which boosted the contribution of digital devices to total PoS transactions and e-commerce transactions by retail clients in SA.

A digitally powered business continued

Enhancing our ATM experience

In South Africa, we introduced tap-and-go capabilities at ATMs to reduce transaction times and deter card theft incidents. Furthermore, we partnered with the Unemployment Insurance Fund (UIF) to provide pre-populated UIF UI-2.8 unemployment forms at Absa ATMs nationwide, combined with bank confirmation letters, as required in new UIF applications. This capability simplifies the previously complicated and time-consuming process for our clients.

We also enhanced our ATM capabilities across eight countries by rolling out dynamic currency conversions to foreign clients visiting any of the Absa ATMs. This allows the client to lock in the exchange rate for that day at a competitive price point. Lastly, we optimised our transaction switching across countries to route Absa cards utilised on our ATMs and devices directly within our network, thereby decreasing the cost of processing these transactions.

Shaping the future …

… with data

Data is a significant asset and, partnered with the emergence of AI, is identified as a critical technological trend influencing the banking ecosystem in Africa and has the potential to transform how we interact with our clients. Moreover, we recognise that data is the lifeblood of any digital transformation. We have made significant investments in our data estate, people and platforms. We have the first AWS Outpost device on the continent, which we use primarily for our data estate. Moreover, we are maturing our data governance structures and have several data use cases across the Group.

Our focus going forward will be on amplifying our data platforms and solutions into data products to further enhance value and modernise our client master data application as a critical enabler of the seamless digital experience.

… and applied AI

AI, machine learning (ML) and GenAI are already used in various ways in the banking industry, from fraud detection to client service. With the help of AI and ML technologies, we are working to continuously improve our monitoring, ensuring better visibility and faster resolution. Likewise, significant opportunities exist to automate risk management activities and specific aspects of client servicing and experience while retaining our focus on commercialising the data we already have.

At Absa, GenAI is already bringing welcome changes to the day-to-day work experience. Absa employees use GenAI-enabled assistants to quickly create emails and presentations. Early successes from GenAI use cases deployed in Absa include software development where early results show a material increase in developer productivity and increase in satisfaction.

Transforming our technology landscape …

We have made significant progress over the last few years in transforming our technology landscape, achieving market-leading operational stability, executing separation successfully, and delivering a new technology stack in CIB, Absa Vehicle and Asset Finance and Home Loans. Likewise, we have refreshed our digital capabilities across our EB, RB and PSC businesses and applied modern architecture and tools to improve employee experiences and streamline our financial processes. We have attracted 3.8 million digitally active clients and introduced multiple new products, including the Absa Identity Wallet. We have established the foundation for reusable application programming interfaces (APIs) and have attained proficiency in the cloud, with notable areas of expertise.

Coupled with advancements in digital, data and technology, such as the emergence of GenAI, third-generation core banking solutions, and Edge Computing, we have the potential to make a targeted investment through the business-led technology roadmap to deliver outperformance:

- Shifting our current retail banking architecture to increase the execution speed of new business innovation
- Improving the flexibility and scale advantage through next-generation technology like APIs, AI and cloud
- Applying digital thinking and technology to our most important business-critical areas, including client journeys, banker enablement, employee experience, and marketing, while addressing our technical heritage.

We continue to develop our core analytics platform, enabling efficiency and faster time to market for model development. The platform has also been recognised this year by winning two industry awards, Dalebrook Media's "Best Analytics Project of the Year 2023" and BCX Digital Innovation Awards' "Best in Technology in Corporate Category".

Using this platform, we have launched several EB acquisition models, which have shown positive results in converting leads into sales. Going into 2024, our key priorities include integrating into client-facing channels and creating client personalisation through building new models and using existing models.

Our ambition as Absa to be a leading Pan-African bank is declared and set out in our growth and financial aspirations, in that we have identified digital enablement as one of our differentiators. This supports our ability to innovate rapidly, quickly respond to client demand and maximise efficiency.

In ARO, during 2023, we moved our current services from a legacy system to a new, more modern platform. This platform makes working with other companies and partners easier and faster, providing cost savings. We are creating new services on this platform and will keep moving existing services to it throughout 2024.

We performed ongoing remediation of our infrastructure and application environments to improve stability and enhance the security of systems across the estate, which included large-scale updates to the core banking environments in three markets to strengthen stability and batch processing.

Ensuring trust and security in a digital world …

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 clients. We are forging ahead to lift the bank out of legacy environments as we continue to improve the technology and security within the bank.

… by continuously bolstering our security position

In an environment characterised by increasingly sophisticated cyber threats and fast-paced technological change, our internal security controls remained resilient with no severity 1 or 2 incidents recorded since 2021. We focus on managing Absa's security risk exposure by proactively managing threats and related risks and ensuring that incidents are handled efficiently and effectively. Our cybersecurity fabric

A digitally powered business continued

adopts a holistic paradigm, integrating multi-layered defences across various operational domains, achieving a synergetic alert-to-incident response capability. This approach has been instrumental in fortifying our threat mitigation tactics.

We remain aware of the emerging threats from AI and ML large language models and continue collaborating with global partners to monitor these in real time. Our investments in software updates that enhance security allow us to benefit from advancing AI technologies in defending against new threat vectors and actors. We continue to strengthen our global partnerships with cybersecurity think tanks and law enforcement agencies to ensure we can stay updated on the latest emerging threats.

With AI accelerating digital fraud, cyber awareness is a critical emerging theme for us to tackle for employees and clients. We will continue to invest in emerging technologies to protect the bank and equally invest in our people and clients to ensure they are cyber-aware as the threat landscape evolves.

... and safeguarding our clients

In response to the sophisticated and evolving tactics employed by fraudsters and criminals aiming to defraud the bank and our customers, it is imperative that we proactively adapt and fortify our defence mechanisms. The dynamic threat landscape demands our unwavering vigilance, especially as the financial services sector experiences exponential growth in payment journeys, providing a larger attack surface for malicious actors. These actors take advantage of data observed globally and employ advanced social engineering tactics to manipulate victims, leading to a surge in payment fraud across digital and e-commerce platforms. To counter these challenges, Absa's strategy includes implementing real-time disruption measures that utilise biometric technologies alongside cutting-edge data analysis and scoring methodologies to swiftly identify and thwart fraudulent activities. Concurrently, Absa is enhancing customer education programmes, which are crucial to equip our clientele with the knowledge to recognise potential fraud indicators and understand effective strategies to respond to threats. By concentrating our efforts on these pivotal areas, we are better positioned to defend against the increasingly sophisticated strategies of these malicious entities, thereby safeguarding our customers and the integrity of financial systems.

- Ongoing awareness and training for both clients and employees
- Preventative and detective controls, as well as product and service features, aimed at protecting clients and the bank
- Robust policies, protocols and secure infrastructure

Become the home of Africa's top technology talent ...

To achieve digital transformation, technology must be our partner. We have created a technology roadmap that focuses on maturing the critical capabilities required in Absa. However, we understand that digital transformation is not just about technology. It is also about leadership, culture, talent, and digital ethics.

... by tackling global skills challenges

We have a growing number of business leaders who deeply understand digital, data and technology and its transformative capabilities. We also continue to collaborate across the business to solve the global challenges in attracting, retaining, and developing critical digital skills to enable delivery against our strategy. A comprehensive range of initiatives targeting key talent areas has been created, forming a holistic strategy to become a leading technology employer in Africa, including:

- We invested R180 million in **31 targeted initiatives**, engaging 612 students to bridge the skills gap for unemployed youth in critical tech sectors.
- We have partnered with **Women in Tech SA and AWS** to create a unique opportunity for 50 unemployed women to obtain AWS Cloud Practitioner certification.
- Our Africa regional office has welcomed 17 graduates from our Absa Digital and CSO academies and provided employment opportunities to a further 22 graduates through participation in partner programmes. We launched the **IT Flagship Graduate programme** at the start of 2024, for the first intake in 2025, consisting of at least 20 graduates with STEM degrees. This initiative is focused on building a pipeline of leaders equipped with strong technical capabilities across an array of skills aligned with our scarce and critical skills categories.

Where to from here – focus areas 2024

Our Group technology roadmap, completed in 2023, articulates how technology, data and digital capabilities enable the next stage of our digital transformation journey and contribute to outperformance. Execution of the roadmap is underway using a business-led, value-driven philosophy. As we enter 2024, the focus is on:

- Delivering seamless experiences to delight our clients and employees by creating value through continuous digital innovation and improvements
- Shaping the future with data and applied AI, including GenAI, underpinned by building a thriving ecosystem from data collaboration and innovation
- Prioritising digitising sales and onboarding to grow a digitally active client base and improve client engagement
- Embedding technology and digitalisation to support agility, client insights and tailored propositions
- Transforming our technology landscape through our cloud-first, data-led and API-only approach while ensuring that we promote sustainable technology practices and collaborative partnerships
- Becoming the home of Africa's top technology talent as we improve our talent retention strategy and enhance our strategic attraction model globally
- Furthering our technology transformation to enable outperformance and transform channel shape.

The takeaway from this story ...

We are strengthening our digital offerings across all segments and using advanced analytics to enhance our clients' digital experience. Increases in our digital adoption rates and client experience scores are reflecting positively. Innovation and sustainable technology practices through collaborative partnerships remain key focus areas.

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.

Accolades received

- Certified as a Top Employer Africa 2024 by The Top Employers Institute®
- Awarded Best B-BBEE Deal of the Year at the DealMakers Annual Gala Awards 2023
- Recognised by Forbes as one of the World's Top Women Friendly Companies and the top African organisation championing the women's agenda for two consecutive years (ranked 36 in 2022 and 102 in 2023 out of 400 companies internationally)
- Ranked as the best employer brand by LinkedIn (2023) and placed in the top 10 in the Universum Employer Brand Perception Survey for professionals
- Recognised by the Forbes Best Employer ranking as the best employer in South Africa and the 103rd-best employer in the world
- Awarded Overall Authentic and Caring Employer of the Year, Most Innovative Human Resources Practice Organisation of the Year, Organisation of the Year – Financial Services Industry, and Employee Wellbeing Champion of the Year (Absa Bank Ghana) at EAP-Africa's Authentic Caring Employer Awards 2023
- Awarded Best Bank for Human Resources and Recruitment Botswana at the 2023 Global Banking and Finance Awards®
- Received awards for two of our bankers in the 12th edition of the Intellidex Top Private Banks and Wealth Managers Survey. The awards were for first and third place honours in the maiden 2023 Top Private Banker: Private Banking award, recognising individual excellence in relationship management
- Included in Reputation Poll International's Annual Ranking of Africa's 50 Most Reputable Bank CEOs (for the Managing Directors of Absa Bank Ghana and Absa Bank Mozambique).

Material matters

- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

Capitals affected

Contributing to SDGs

In 2023, we accelerated our efforts in building a future-focused workplace where our purpose-led talent has a deep sense of belonging and feels cared for, rewarded, recognised and empowered to meet both the future world of work and client-centred demands.

Building a competitive advantage through culture ...

Our culture transformation journey brings together our new values, culture and brand as interwoven elements to living our purpose while enhancing the lived experience of employees and underpinning our commitment to building a resilient and inclusive workforce of the future that enables sustainable outperformance. In 2023, we progressed on our journey by co-creating a new set of Absa values. *Our values* are complemented by a set of behaviours. Together, they guide how we should interact with our employees, clients, and the communities in which we operate.

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

... by listening to our people's stories

We are pleased that participation in our bespoke employee experience survey once again increased, achieving 88% participation at an aggregated Group level, reflecting the increased buy-in of our employees to our culture transformation journey.

Our employee experience index is the apex measure we use to track and monitor the transformation of our employee experience YoY. Our results have improved steadily over the past four years to an overall score of 71.5, measuring three key outcomes:

- **Employee sentiment:** 74.9% of employees indicated they are either delighted or satisfied with their experience working at Absa, up from 69% in 2022.
- **Job satisfaction mean score:** Improved to 7.76 out of 10, indicating that nearly eight out of 10 employees are satisfied working at Absa.
- **Employer advocacy eNPS** (refers to how likely our employees are to recommend Absa as a bank of choice): Increased from +24% to +36.1% in 2023.

... and cultivating a sense of belonging and ownership

We are proud to have launched the Group's landmark *B-BBEE transaction* on 1 September 2023, underscoring the Group's commitment to transformation. The transaction enables qualifying Absa employees, through the eKhaya Colleague Share Scheme, and communities, as beneficiaries of the CSI Trust, to participate in the value generated by the Group.

The eKhaya Colleague Share Scheme recognises the contribution of all employees across the Group. Absa employees in South Africa, of which there are approximately 26 000 eligible individuals, were awarded the right to Absa shares, which will vest in 2028, with black employees (as defined in the country's B-BBEE codes) receiving a 20% higher allocation. Absa employees outside of South Africa, of which there are approximately 9 000 eligible individuals, are participating in a cash-equivalent scheme.

The CSI Trust bears testament to the Group's commitment to being an active force for good in everything we do by making a meaningful difference in the lives of thousands of people who might not otherwise have had access to education and employment opportunities.

A winning, talented and diverse team continued

Distributed leadership organised around our clients

We have reset our leadership ambition to enable our outperformance aspirations. We remain firm in our belief that a thriving culture is reflected by the strength and commitment of our leaders. In this pursuit, we invested R157 million in leadership development during the year.

Being the home of Africa's leading talent …

… by fostering diversity, equity, inclusion and a sense of belonging

Creating a truly diverse and inclusive organisation is critical to achieving our renewed purpose.

Acknowledging our leadership's ability to act as proponents of **racial diversity and inclusion**, our Group Board black representation has increased to 46.67% (2022: 35.71%), and our Group ExCo black representation has risen to 50% (2022: 46.1%).

Our black employee new hire rate has improved to 92.35 % (2022: 92.29%), and black representation at all levels has improved, with 66.67% of AGL ExCo appointments being black employees, 82.86% of senior management appointments being black employees, and 87% and 96.31% of appointments being black employees in the middle and junior management categories, respectively. In addition, 40%, 41.97% and 59.18% of appointments were black females (SA) at senior, middle and junior management, respectively.

In line with our philosophy to grow our timber, 87.64% of total employees promoted were black, and 27.86%, 49.88% and 72.54% of total promotions were black female employees at senior, middle and junior management levels, respectively.

Racial diversity and inclusion criteria are included in our leaders' performance scorecards to ensure continuous improvement in racial representation across all management levels.

Our **gender** ambition is to go beyond the legislative requirements and increase the active participation of women in the economy while enabling the inclusion of all genders across our employee lifecycle, supplier value chain, and overall business value chain across all our markets.

- Directed over R369 million of R608 million (61%) total investment to the development of women to create a diverse talent pipeline
- Defined fair and responsible remuneration for the Group that aims to enable gender pay parity
- Launched the Absa Men's Forum, driving the Men's Inclusion programme that aims to rally the Absa men as allies and stewards of gender diversity and inclusion, as well as champions of anti-gender-based violence, sexual harassment and domestic violence initiatives.

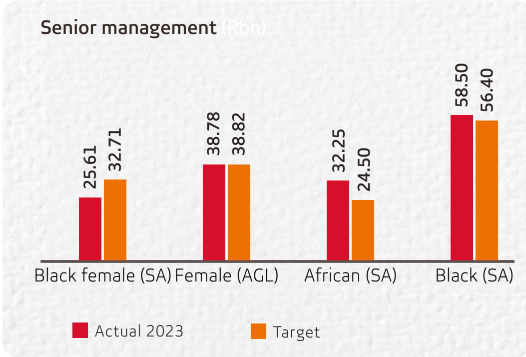
We have adopted an integrated approach to addressing **disability** across our business value chain. We encourage voluntary disability declaration, and we aim to raise awareness of the Absa Disability Support Fund and create a Group Disability Desk.

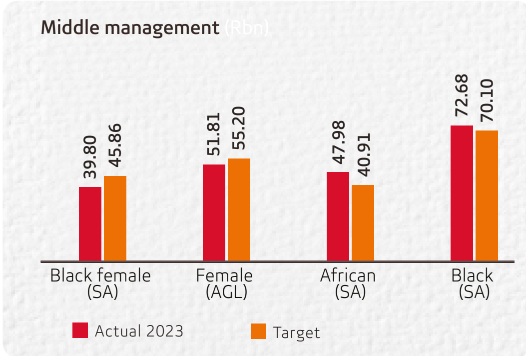
Our focus on **generational diversity and inclusion** comprises fostering a space where all generations contribute and belong and enabling youth to engage in the economy. Currently, individuals under 40 make up 50.5% of our workforce, thus bolstering youth employment.

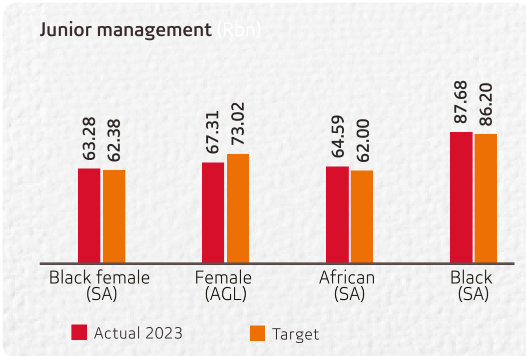
Creating a conducive working environment for our **LGBTQIA+** community continues to be an area of focus in countries where the agenda is legally supported. We continued engagements through our Group LGBTQIA+ Forum (The True Colours Collective) with business and applicable country representatives to coordinate our efforts and provide a platform for shared learning.

… and nurturing the talent of the future

We have reset our talent acquisition, development, and succession ambitions to support our outperformance aspirations. Our succession philosophy has evolved from pipeline management to portfolio-based succession planning, identifying talent across all businesses and functions for various potential future roles and building portable enterprise talent across the franchise. Significant progress has been made in strengthening the succession base for identified 'ready now' and 'ready soon' (one to two years) and 'ready later' (three to five years) succession slates through a data-led approach, enabling effective, individualised successor development.







A winning, talented and diverse team continued

Supporting and enabling our people

... by growing their skills

In 2022, we assessed our skills baseline to address the disparity between the demand for and supply of critical skills. Our 2023 agenda prioritised investing in and developing scarce and critical skills vital for outperformance while adapting to changing needs. We established a learning strategy to enhance capabilities, skills preparedness, and employee experience. Central to this strategy is the collective responsibility for skills development. As a result of the shift in strategy, we have strategically pivoted from a focus on volume training to a more targeted approach, prioritising the high-quality development of the scarcest and most critical skills essential for realising our market commitments. While in 2022, we invested R638 million in training (of which R500 million was directed to Absa's employees), our dedication to efficiency and precision in 2023 enabled us to achieve remarkable results with a streamlined investment of R 608 million (of which R479 million was directed to Absa's employees).

Our leadership programmes (Absa Leadership Academy) have proven instrumental in fostering organisational talent mobility. The analysis of talent data between 2020–2023 revealed a noteworthy correlation between programme participants and subsequent promotions.

... by valuing and acknowledging sustainable performance

At the core of our remuneration strategy, our efforts strategically allocate reward resources aligned with performance, ensuring appropriately competitive total remuneration. We sought to increase trust in our remuneration frameworks and outcomes with all stakeholders through improved transparency and enhancing the link between performance and reward outcomes. Key actions taken include:

Rewarding our people
- Paid R31.5 billion in remuneration, benefits, and incentives in 2023 (2022: R27.8 billion)
- More details are in the *2023 Remuneration Report*.

Cultivating recognition and appreciation
- Integrated recognition practices into our daily operations and interactions
- Focused on embedding appreciation and recognition aligned with our purpose, values, and culture.

Evolving our performance management
Continued to develop performance management through the MyContribution programme.

Aligning objectives with accountability
- Tailored objective setting in scorecards to reflect levels of accountability
- Empowered leaders to deliver effectively at the right level.

... while prioritising wellbeing

5 246 employees underwent personal health assessments (2022: 1 211), and 4 431 completed HIV counselling and testing (2022: 1 177). Non-communicable diseases remain the highest cause of morbidity amongst our employees and, therefore, an area of continued focus for education and awareness campaigns. However, 5 844 participants accessed the Absa Employee Assistance programme services (2022: 19 489), demonstrating a notable decline, with the top reasons for engagement comprising mental health, relationship challenges and organisational and managerial issues.

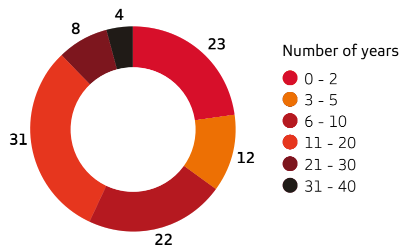
... creating a future-focused, sustainable business

Productivity, wellness and engagement remain top priorities for Absa. As such, we monitor attrition closely to understand further areas of improvement, adjustments to our talent and strategic workforce plans, and improvements to enhance employee experience.

Our total headcount increased to 37 107 employees (2022: 35 451), and voluntary attrition decreased to 5.54% (2021: 7.44%). Total employee turnover decreased to 7.3% (2022: 9.2%) compared to the industry benchmark of 11%. Pleasingly, our retention of high-performing employees across all grades remained stable at 95.4%[LA] (2022: 94%) and is above the industry benchmark of 93%. Absenteeism rates remained constant at 1.4%[LA].

Employee relations[1] cases declined and is below the risk threshold:
- **Misconduct** as % of workforce: 3.66% (target <5%)
- **Dismissals** as a % of misconduct cases: 11% (target <25%).

Employee tenure profile (%)



Where to from here – focus areas 2024
- Deepening our culture transformation journey to enable and sustain market leadership
- Strengthening leadership development to deliver sustainable organisational growth
- Sustaining progress in diversity, equity and inclusion for a workplace where all employees experience a sense of belonging
- Amplifying talent management and mobility to build an abundance of enterprise talent who outperform in our chosen markets
- Enabling sustainable employee and organisational resilience
- Enhancing our employee experience through digitally enabled, data-driven, seamless people processes and practices.

The takeaway from this story ...

Our employees and collaborative culture remain the cornerstone of our success. Our culture fosters distributed leadership, diversity, equity and inclusion, and creates an empathetic and enabling working environment, which is the foundation for our outperformance ambition.

[1] As defined in terms of the South African Labour Relations Act.

[LA] Limited assurance.

An active force for good in everything we do

We will manage climate change and biodiversity risks and opportunities, make a difference to the societies in which we operate, ensure the highest standards of governance and ethics and actively influence public policy and regulation.

Accolades received

- Awarded Outstanding Leadership in Sustainability Transparency – Africa, Outstanding Leadership in Sustainable Infrastructure Finance – Africa and Best Bank for Sustainable Finance – Kenya at the Global Finance Sustainable Awards 2023
- Won Best Financial Institution Green Bond in EMEA and Best Green Bond in Africa at the EMEA Finance Achievement Awards 2023
- Named Best Bank for Sustainable Development Mozambique at the Global and Finance Awards® 2023
- Received an award for Financial Inclusion at the Next 100 Global Awards 2023 (Absa Bank Mozambique)
- Received an award for Outstanding Financial Literacy Footprint at the Financial Literacy Awards (Absa Bank Zambia)
- Received an award in the Financial Services Category at the PwC Sustainability Awards 2023 (Absa Mauritius)
- Awarded Product of the Year (Services) for Absa Young Africa Works project (awarded in 2023 for 2022 performance) by the Chartered Institute of Marketing Ghana
- Celebrated for the Best Company in Women Empowerment Project, Best Company in Promoting Gender Equality, Diversity, and Inclusion, and Best Company in Project Promoting and Supporting STEM at the Sustainability and Social Investment Awards 2023 (Absa Ghana)
- Won at the Bonds, Loans and ESG Capital Markets Africa 2024 in several categories, including Corporate Debt House of the Year, ESG Loan House of the Year, Bank Treasury and Funding Team of the Year.

Material matters

- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition.

Capitals affected

Contributing to SDGs

Recognising the financial industry's vital role in society and the external environment, Absa is committed to a sustainable future. Positioned as a pioneer in Africa's just, orderly and equitable transition to a low-carbon economy, we actively support our clients and the communities in which we operate on their sustainability journeys. Our goals are both to be a major contributor to renewable energy solutions and to become Africa's largest lender for renewable energy, with a commitment to achieving net zero status by 2050 for both financed and operational emissions. We prioritise climate action, financial inclusion, diversity and inclusion, and good governance as pillars of our sustainability strategy.

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

Making intergenerational wealth accessible to all by ...

We are dedicated to making intergenerational wealth creation accessible to everyone. We aim to secure financial wellbeing while promoting responsible resource consumption, ensuring benefits for future generations. Our approach includes providing competitive and financially sustainable products and services to enable individuals and businesses in unbanked and underbanked segments to participate fully in economic activities.

... expanding entry-level and inclusive banking

The entry-level and inclusive banking segment is a priority to ensure future sustainable growth and economic inclusion in Africa. In this context, we have expanded our reach through several innovations. The introduction of ChatWallet, for example, has revolutionised banking for the inclusive banking segment as a low-cost, smart and safe transactional wallet offering. It is an ideal solution for clients seeking accessible and innovative banking tools, while PayShap caters to banking needs by offering an easy and instant solution for sending and receiving money.

... offering affordable housing

In 2023, the South African economy experienced high inflation levels and interest rate increases, thus placing consumers under affordability pressure. Market volumes in the industry, particularly in this segment, declined notably.

Our continued commitment to affordable housing includes offering various financial solutions to investors, developers, and communities. Our contributions include providing home loans to 3 491 clients in 2023, a decrease from 6 843 in 2022, amounting to R1.9 billion compared to R3.9 billion the previous year. Additionally, our borrower's education programme, which saw 4 004 participants in 2023, offers comprehensive guidance on home buying and ownership and is accessible to the public online. The total value of our affordable housing loan book stood at R17.8 billion as of 31 December 2023, up from R16.8 billion in 2022.

Affordable housing (SA only)	Trend	2021	2022	2023
Affordable home loans – Number of clients	▼	7 932	6 843	**3 491**
Affordable home loans – Value (Rbn)	▼	4.3	3.9	**1.9**[LA]
Total affordable home loan book (Rbn)	▲	14.1	16.8	**17.8**
Borrower's Education programme – Number of clients	▼	9 084	6 960	**4 004**

The recent announcement by the African Development Bank on the approval of R2.7 billion subordinated financing will also support the affordable housing segment. The package supports Absa's expansion in sustainable and social lending, particularly benefiting SMEs and female-led enterprises and promoting affordable housing for women in South Africa. This move, subject to legal finalisations, aligns with our commitment to fostering entrepreneurship and trade within Africa, emphasising support for youth, women, and low-income regions.

[LA] Limited assurance.

An active force for good in everything we do continued

... promoting financial literacy

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.

	Trend	2021	2022	2023
Number of beneficiaries	▲	32 639	79 173	**105 337**
Investment (Rm)	▲	14.0	33.8	**35.8**

... readying our youth for the job market

The Absa ReadytoWork programme supports the youth in preparing for and entering the job market. The programme provides access to learning content to equip them with the necessary knowledge and skills to improve their employability prospects. Additional features on the platform include a career hub with online career guidance and a connection to job opportunities through the job portal, allowing direct access to recruiters.

	Trend	2021	2022	2023
ReadytoWork participants	▲	20 620	29 881	**26 859**

... creating access to social financing and loans

Our treasury department raised R2.3 billion in social ESG loans since 2021, while ARO RBB contributed to financial inclusion with R7.7 billion through its JUMO and Timiza offerings to the inclusive banking segment. EB supports financial inclusion through its student loan proposition.

(Rm)	Trend	2021	2022	2023
ESG loans – Social			2 339	**2 367**
Sustainability-linked financing	▲	3 771	5 780	**7 987**
– ARO RBB	▲	3 510	5 489	**7 726**
– EB	◀▶	469	489	**428**

Being a beacon of inclusion across the continent by promoting ...

... fairness and equality

A winning, talented and diverse team provides more information on diversity, equity, transformation and inclusion as it relates to our considerations of employees' gender, race and disabilities to ensure Absa contributes to reducing inequalities and promoting fairness.

... pay parity

Fair and responsible remuneration is a strategic imperative within the Group's Remuneration Policy, reflecting the growing focus on remuneration-related disclosures. Our approach to fairness in remuneration is twofold: vertical, addressing disparities between various organisational levels, and horizontal, ensuring equity within the same level. Our 2023 pay review analysis delved into factors contributing to pay differentials. While gender was not identified as a primary factor influencing these differentials, we continue proactively pursuing gender pay parity across the Group. The actions taken are outlined in the *Remuneration Report 2023*.

... supply chain diversity

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, 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	2021	2022	2023
Total procurement spend in South Africa (Rbn) (B) (1)		18.9	19.5	**22.4**
Total procurement spend in ARO (Rbn) (2)		2.1	2.7	**3.1**
Total	▲	**21**	**22.2**	**25.5**
Procurement spend with locally registered suppliers (Rbn) (BEE: tmps[1]) (3)	▲	15.3	15.2	**17.4**
Local procurement spend (% of Group spend) ((3)/(1+2))	▼	72.9	68.5	**68**
Number of suppliers – South Africa	▲	2 368	2 984	**2 624**
Number of suppliers – ARO	▲	2 401	2 466	**2 746**
Limited to B-BBEE (South Africa):				
Total weighted spend with B-BBEE-accredited suppliers (Rbn) (A)	▲	16.3	17.3	**20.2**
Total procurement spend on qualifying small enterprises and exempt micro enterprises (Rbn)	▲	4.4	2.6	**4.2**
Total procurement spend on > 51% black-owned companies (Rbn)	▲	8.5	8.8	**10.7**
Total procurement spend on > 30% black women-owned companies (Rbn)	▲	6.5	7.0	**8.6**
Local procurement as a percentage of total (South Africa) (%) (A/B)	▲	86.2	88.7	**90**

[1] Total measurable procurement spend.

We continue to support 48 supplier diversity beneficiaries (2022: 33). The total loan amount at preferential rates is R106 million (2022: R164 million). Additionally, we have contributed R11 million towards business development for supplier diversity beneficiaries and R50 million in capacity-building grants for SMEs.

An active force for good in everything we do continued

Empowering a greener tomorrow by ...

... working towards our own carbon neutrality

Significant progress has been made in meeting the targets set in our Group 2030 Environmental Action Plan. Our energy-saving initiatives, including adopting efficient technologies and remote work trends, achieve a 31% decrease in energy usage against the 2030 target of 30%. Additionally, since the implementation of our carbon emissions target in 2018, we have realised an overall reduction of 33% in carbon emissions against a 2030 target of 51%.

... reaching net zero in 2050

We are strategically evaluating and addressing greenhouse gas emissions associated with our commercial lending activities, aiming to align our portfolio with net-zero emissions. In pursuit of this goal, we diligently compile high-quality data for disclosures and are committed to continuous improvement in our financed emissions database as portfolio companies disclose their greenhouse gas emissions.

During 2023, we further defined our approach and methodology for quantifying emissions linked to our financing activities. These emissions are crucial to understand as they constitute a significant portion of the bank's total greenhouse gas emissions. We developed initial emission reduction targets for our lending portfolio in the fossil fuel sectors, including thermal coal and oil and gas. We plan to expand methodologies for other sectors in the near future for consistent application.

In developing the approach to setting our targets, we recognise the significance of emission reductions and the need to support the just transition. The just transition highlights the need for a fair and inclusive shift toward a sustainable, low-carbon economy, particularly considering Africa's unique challenges and opportunities. Climate policies must prioritise social equity, acknowledging the potential disproportionate impact on vulnerable populations during the transition. In Africa, discussions around a just transition involve energy needs, economic development, and environmental sustainability considerations.

For this reason, we have developed emission reduction targets for our fossil portfolio based on global scenarios that align with Africa's development imperatives while targeting a declining emissions trajectory. We emphasise ongoing support for clients in transitioning to a low-carbon economy and a commitment to adjusting targets based on evolving climate science and decarbonisation scenarios, recognising the need for additional Africa-specific energy transition scenarios. Overall, our approach reflects a strategic commitment to transparency, sustainability, and proactive measures to contribute to global decarbonisation efforts.

We continue to lend to clients in the fossil fuel industry, but with full recognition that our fossil fuel lending must be anchored in our chosen emissions reduction path. We consider gas as a transition fuel, and the trajectory of our limits on investments in gas projects therefore differs substantially from that for investments in coal and oil.

Coal financed emissions reduction pathway

Base year	Baseline	Reduction percentage
2022	1 896 677 tCO_2e	25% reduction from 2022 baseline to 2030

We have taken a balanced approach in addressing the coal value chain, understanding the urgent need to transition to clean energy sources while recognising the ongoing energy crisis in South Africa. We will not finance new coal-fired power plants; however, we may support the refurbishment of existing coal-fired power stations for the specific purpose of efficiency and reducing carbon emissions.

Oil and gas financed emissions reduction pathway

Base year	Baseline	Reduction percentage
2022	78.70 gCO_2/MJ	9% reduction from 2022 baseline to 2030

Absa believes that gas is an important transition fuel that will play a role in achieving a just transition. We will intensify our strategy of supporting environmentally, socially, and economically feasible renewable and liquid natural gas energy projects. We therefore have an intensity-based target for our oil and gas portfolio that will encourage a transition to clean energy sources and a reduction in methane emissions.

We are committed to regularly updating our progress toward achieving net-zero status by 2050 for both financed and operational emissions, as outlined in our *Climate Report*.

... being a leader in climate-related sustainable finance

We aspire to leverage our leadership position in renewable energy to narrow the energy poverty gap in Africa. Renewable energy therefore remains the primary driver of our sustainable finance aspiration. Increasing demand for renewables not only creates commercial prospects but also opens up employment opportunities.

We advanced R32.5 billion in green sustainable finance in 2023, maintaining the momentum from the previous year and bringing our total to R84.1 billion in sustainability-linked financing since January 2021. RB advanced R1.1 billion in financing supporting solar photovoltaic and power purchase agreements in 2023 (2022: R606 million). CIB advanced R31 billion. Notable deals included:

- Acting as a mandated lead arranger and financer of three wind energy projects worth R12 billion (Red Rocket deal)
- Enabling a sustainability-linked loan for Puma worth USD800 million
- Facilitating a USD24 million green loan to propel Ghana's renewable energy transition
- Facilitating a green loan for R5 Breeza Africana of R2.95 billion
- Acting as arranger for the Calgro M3 affordable housing green loan of R155 million
- Acting as arranger for the Transcend affordable housing green loan of approximately R142 million.

We have raised R6.6 billion in ESG green bonds and R14.6 billion in green loans since 2021.

(Rm)	2022	2023
ESG loans – green	9 330	**14 601**
ESG bonds – green	4 485	**6 643**

An active force for good in everything we do continued

… and providing green spaces to our clients.

The International Finance Corporation partnered with Absa, providing a loan of up to R4.5 billion (approximately USD236 million) to support Absa's strategy to expand its green building finance portfolio, which will include new certified green buildings and mortgages. This will enable Absa to increase access to green building finance for developers and individual home buyers while helping the bank expand its residential and commercial loans and mortgage finance programme for environmentally responsible and resource-efficient buildings.

Our green housing initiatives offer competitive rates for EDGE-certified properties, supporting the development of greener buildings. This not only lowers household costs but also promotes a more sustainable environment. In 2023, the Excellence in Design for Greater Efficiencies (EDGE) certified property financing reached R426.5 million (2022: R723 million).

Advocating for what matters most …

… through regulatory and public policy participation

Absa's comprehensive strategy in Africa involves thought leadership, strategic stakeholder engagement, and adopting public stances on crucial societal issues.

To realise this vision, we identified and prioritised societal, policy, and regulatory themes that align with our strategy. This process involved mapping potential themes, rigorous research, and co-creating an advocacy strategy to implement, measure, and report on these themes. The themes identified include safeguarding water security, ensuring a just energy transition, biodiversity and climate disclosures, ethical AI use in finance, and payment modernisation with cybersecurity.

The next steps involve prioritising these recommendations through a phased approach, starting with executive prioritisation, detailed scoping and investment, implementation planning, and ongoing monitoring, with the involvement of various stakeholders and committees within the Group.

This strategic approach underscores Absa's dedication to its role as an active participant in societal development, showcasing our commitment to impactful, responsible banking in Africa.

Where to from here – focus areas 2024

- Maintaining a prominent role in financing renewable energy on the African continent
- Accelerating the integration of sustainability into the Group's culture and decision-making, supported by enhanced Group-wide sustainability metrics and targets
- Advancing the sustainability data project, emphasising non-financial information and documenting data requirements for sustainability
- Establishing additional carbon emissions pathways for financed emissions targets within high-emitting sectors in alignment with our 2050 net-zero carbon ambition.

The takeaway from this story …

Recognising the vital role we can play in society we have committed to achieving net-zero status by 2050 for both financed and operational emissions. We are actively supporting our clients on their sustainability journeys through sustainability-linked financing and promoting the financial inclusion of underserved groups with our products and services.

Read our full Sustainability and Climate Reports

> "We prioritise climate action, financial inclusion, diversity and inclusion, and good governance as pillars of our sustainability strategy."

Value over time

Our Integrated Report communicates the short-, medium and long-term value we have created, preserved or eroded for our providers of financial capital and other key stakeholders. Our key performance indicators and management information measure how well we deliver against our strategic objectives. They also measure the value we are creating, preserving or eroding across the capitals material to our business model. We recognise that value creation for one type of capital may create, preserve or erode value across another.

	Unit	Five-year trend	Long term 2019	Long term 2020	Medium term 2021	Medium term 2022	Short term 2023
Financial capital Primary interest group: Shareholders		**Net outcome: Positive**					Strategic theme:
Revenue	Rbn	▲	80.0	81.4	85.9	96.8[R]	**104.5[EA]**
Capital lite revenue	Rbn	▲	N/A[1]	N/A[1]	N/A[1]	57.4	**61.6[LA]**
NIR growth	%	▼	4	(3)	2	18	**1[EA]**
Headline earnings	Rbn	▲	16.3	8.0	18.6	20.7[R]	**20.9[EA]**
Total operational risk losses[2]	Rm	▼	824	292	893	(18)	**524[LA]**
Gross loans and advances	Rbn	▲	977	1 058	1 134	1 258	**1 321[EA]**
Total deposits	Rbn	▲	944	1 048	1 174	1 242	**1 340[EA]**
Net interest margin	%	▲	4.50	4.17	4.46	4.56	**4.66[EA]**
CTI ratio	%	▼	58.0	56.0	55.2	51.0	**52.1[EA]**
CLR	%	▲	0.80	1.92	0.77	0.96	**1.18[EA]**
Stage 3 ratio	%	▲	4.7	6.3	5.4	5.3	**6.05[EA]**
RoE	%	▼	15.8	7.2	15.8	16.4[R]	**15.3[EA]**
Return on average assets	%	▼	1.20	0.52	1.18	1.21[R]	**1.11[EA]**
CET1	%	▲	11.8	11.2	12.8	12.8	**12.5[EA]**
Total capital adequacy ratio	%	▲	15.5	15	17	16.6	**15.8[EA]**
NSFR	%	▲	112.7	115.8	116.1	113.4	**118.1[EA]**
Liquidity coverage ratio	%	▼	134.4	120.6	116.8	124.6	**124.0[EA]**
Total shareholder return	%	▼	(1)	(16)	30	35	**(8.7)[LA]**

[1] Metric not tracked at the time.
[2] Not material to enterprise value but included to provide balanced disclosure of instances where value is eroded.

Legend

[R] Restated.
[LA/RA] Data point assured by internal audit as part of the *integrated reporting assurance process*.
[EA] Data point assured through *external assurance processes*.
[EXT] Data point from independent external source.

Value over time continued

	Unit	Five-year trend	Long term 2019	Long term 2020	Medium term 2021	Medium term 2022	Short term 2023
Human capital Primary interest group: Employees		**Net outcome: Positive**				Strategic theme:	
Employee experience index	Points/100	▲	N/A[1]	64.1	64.7	68	**71.5[LA]**
Management control - Employment equity	Points/12	▲	8.88	8.88	9.18	9.81	**10.14[LA]**
Women in senior leadership	%	▲	35.0	35.3	35.0	37.0	**38.78[EA]**
Employee headcount	Nr	▼	38 472	36 737	35 267	35 451	**37 107[LA]**
Turnover rate	%	▼	11.9	7.0	8.7	9.2	**7.3[LA]**
Employee training and development spend	Rm	▲	451	406	449	500	**479[LA]**
Female-to-male ratio (gender equality)	%	◀▶	61:39	61:39	61:39	61:39	**61:39[LA]**
Employee headcount below the age of 40 (age neutrality)	%	▼	N/A[1]	57.7	54.8	52.2	**50.5[LA]**
African, Indian, and Coloured (AIC) employees (SA only) (race equality)	%	▲	75.8	76.4	77.3	79.3	**80.9[LA]**
Absa Way Code of Ethics training completion	%	▼	96.5	92	N/A[2]	98.5	**95.57[LA]**
Intellectual capital Primary interest groups: Clients and employees		**Net outcome: Positive**				Strategic theme:	
Digitally active customers – total[3]	Rm	▲	1.6	2.4	2.7	3	**3.8[LA]**
Growth in digitally active customers – Group-wide composite measure	%	▼	N/A[1]	N/A[1]	N/A[1]	19	**17[LA]**
Total severity 1 and 2 incidents	Nr	▼	7	4	3	0	**0[LA]**
Retail digital channel availability	%	▲	99.3	98.5	99.4	99.5[R]	**99.7[LA]**
Service availability for the Group	%	▲	99.93	99.95	99.97	99.96	**99.98[LA]**
Brand value ranking[4]	Rank	▼	4th	3rd	5th	5th	**5th[EXT]**
Brand value[4]	Rm	▲	23 474	22 715	20 538	21 254	**25 334[EXT]**
Brand consideration	%	▲	N/A[1]	N/A[1]	N/A[1]	38.7	**41.8**

1 Metric not tracked at the time.
2 Training cycle 2021 had a 2022 due date.
3 *Basis of preparation and presentation* provides more detail about the reporting methodology used for this metric.
4 Brand Finance South Africa.

Legend

R Restated.
LA/RA Data point assured by internal audit as part of the *integrated reporting assurance process*.
EA Data point assured through *external assurance processes*.
EXT Data point from independent external source.

Value over time continued

	Unit	Five-year trend	Long term 2019	Long term 2020	Medium term 2021	Medium term 2022	Short term 2023
Manufactured capital Primary interest group: Clients		**Net outcome: Sustained**				Strategic theme:	
ATMs[1]	Nr	▼	10 050	9 734	8 666	6 416	**6 410**[LA]
Outlets	Nr	▼	1 030	1 005	988	998	**1 010**[LA]
PoS devices	Nr	▲	115 708	121 788	124 898	114 895	**131 546**[LA]
Property and equipment	Rbn	▼	18.6	17.1	16	15	**15.8**[EA]
Natural capital Primary interest group: Planet		**Net outcome: Positive**				Strategic theme:	
Sustainability-linked financing – Group (portion related to climate)[1]	Rbn	▲	N/A[2]	N/A[1]	19.7	31.8	**32.5**[RA]
CDP rating	Rating	▲	C	C	B	B	**B**[EXT]
S&P Global ESG rating	Percentile	▲	89	92	93	89	**93**[EXT]
ESG loans[3]	Rbn	▲	N/A[2]	N/A[2]	N/A[2]	11.7	**17**[RA]
ESG bonds	Rbn	▲	N/A[2]	N/A[2]	N/A[2]	4.5	**6.6**[EA]
Energy consumption	GWh	▼	279.8	224.6	225.7	216	**222.6**[EA]
Social and relationship capital Primary interest groups: Society, regulators, clients, investors and suppliers		**Net outcome: Positive**				Strategic theme:	
Customer numbers – Group	m	▲	11.5	11.2	11.4	11.7[R]	**12.2**
Group customer experience index (revenue weighted)	%	▲	N/A[2]	N/A[2]	N/A[2]	81	**96**[RA]
Sustainability-linked financing – Group (portion related to financial inclusion)[1]	Rbn	▲	N/A[2]	N/A[2]	8.3	9.9	**10.1**[LA]
B-BBEE status	Level	▲	1	2	1	1	**1**[EXT]
Consumer education participants	Nr	▼	149 529	52 246	32 639	79 173	**105 337**[LA]
ReadytoWork participants	Nr	▼	35 168	20 914	20 620	29 881	**26 859**[LA]

[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] Includes loans relating to social and relationship capital.

Legend

[R] Restated.
[LA/RA] Data point assured by internal audit as part of the *integrated reporting assurance process*.
[EA] Data point assured through *external assurance processes*.
[EXT] Data point from independent external source.

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 2024 are discussed by:

Our leaders:

- *Group Chairman's message*
- *Group Chief Executive Officer's message*
- *Interim Group Financial Director's message*

Business:

Each performance chapter profiles *Where to from here – focus areas for 2024*

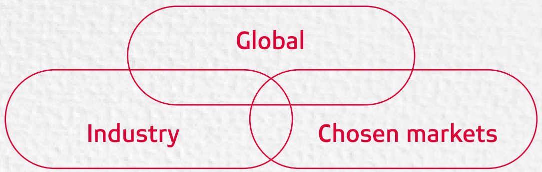
Those who govern us:

Board committee – *2024 focus areas*

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 following pages.

Most severe global risks in the next decade[1]

According to the World Economic Forum, the global risk landscape in the next decade can be materially affected by the four structural forces that have the potential to impact the speed, spread and scope of global risks and will be influenced in turn by each other:

- **Technological acceleration** – blurring the boundaries between technology and humanity. Three of the top 10 global risks in the next decade are technological in nature
- **Climate change** – influenced by the decarbonisation pathways, speed of deployment of solutions and system degradation. Five of the top 10 global risks are environmental in nature
- **Geostrategic shifts** – evolving sources and concentration of geopolitical power
- **Demographic bifurcation** – Demographic divide widening. By 2030, young Africans are expected to make up 42% of global youth.

[1] World Economic Forum, Global Risk Perception Survey 2023-2024.

[2] PwC – Future of Payments 2025; Retail Banking in 2025; Insurance 2025 and Beyond; Wholesale Banking 2025 and Beyond; Major Bank's Analysis September 2023.

Medium- to long-term trends in the financial services industry[2]

Competition

The financial sector is undergoing a significant transformation, with central banks exploring digital currencies to remain competitive. However, they have concerns about decentralised finance and private cryptocurrencies. Banks are increasingly focusing on a mobile-led transformation to reach financially excluded populations and keep up with the competition. Fintechs, mobile service operators and entertainment players are partnering with banks to capture client-facing parts of the value chain without needing a banking licence. Big tech and unconventional players, such as retailers, may seek full banking licences. Insurers must adopt a new approach to meaningfully engage with clients, reconsidering partnerships and looking beyond conventional boundaries to participate in ecosystems where insurance is merely a component of the client value chain. The financial sector's diversity has increased in developed and emerging markets, with fintechs and big tech companies offering an expanding range of financial services. Fast-moving market forces, such as competition from non-traditional players, will have implications for bank strategies.

Technology

Cashless transactions are expected to rise by 78% from 2020 to 2025 and 64% from 2025 to 2030. Digital wallets are becoming the go-to for many due to their convenience, with new users favouring mobile wallets over traditional card payments. Cross-border payments are evolving to meet demands for speedy, cost-effective solutions. Digital supply chains are pivotal for digital wallet growth. Open banking is driving a shift towards initiating payments through digital wallets. Efforts are underway to standardise global payments, linking domestic instant payment systems.

Technology investment costs will be high but necessary to ensure optimal client experiences or risk falling behind peers and non-traditional banking players. To remain relevant, insurers must integrate digital technologies, particularly data and responsible AI.

According to Forbes, the AI market is predicted to reach USD407 billion by 2027, impacting mostly the healthcare finance and manufacturing industries, but as AI becomes more pervasive in use, addressing the ethical concerns over its application will become a key focus area for businesses and society, and building user trust will become critical.

In response to the rise of decentralised finance, the wholesale banking industry must leverage its regulated status to shore up trust and manage risk. Digital asset firms bolstering their capabilities will be primed to meet rising expectations from regulators and clients, while traditional financial institutions, capitalising on regulatory clarity and their risk expertise, are anticipated to enter the digital asset market with an expansive product suite.

Persistent technological disruptions and the rise of new cryptologic asset classes will significantly influence bank strategy. Intense focus will be required on managing operations and enhancing client experiences in tandem with broader change programmes.

Sustainability

Access to affordable and convenient payment mechanisms and mobile devices is expected to drive financial inclusion in developing countries. As smartphone penetration rises in emerging markets, it is anticipated to reach 80% globally by 2025.

Outlook continued

However, as consumers adopt new payment solutions, financial crime rises, and banks must protect full payment ecosystems. Clients are growing sceptical of global institutions as societal trust deteriorates, and some sentiments veer towards nationalistic protectionism, which might benefit local, smaller banks.

According to Swiss Re, climate change might result in up to USD183 billion in premiums globally by 2040. Insurance providers must increasingly address social injustices by championing inclusivity to help build trust. A burgeoning global protection gap is observed, with a projected 6% increase by 2025, amounting to USD121 billion for regions like Africa and the Middle East.

Amid the mounting sustainability agenda, bankers will capitalise on the opportunity to support clients in financing their green initiatives and introducing novel benchmarks and measures. The increasing societal and corporate emphasis on inclusive finance, sustainability, climate change, and renewable energy is expected to create considerable opportunities for businesses and consumers to grow their balance sheets and develop innovative, sustainable financing solutions.

Regulators

Regulators are preparing to strengthen domestic payment infrastructure, while central banks remain concerned about decentralised finance and private cryptocurrencies.

Regulatory barriers to entry may be reconsidered due to concerns over data, privacy, cybercrime, or opportunities presented by new entrants such as cryptocurrencies. Trust in financial institutions is declining, but banks can potentially restore this trust as the central financial service provider.

Insurance providers will need to increasingly address social injustices by championing inclusivity to help build trust. There has been a noticeable increase in regulatory pressures, particularly in digital assets and sustainability, resulting in increased compliance costs. Risk management will be highly automated, including second- and third-order risks tied to reputational and societal concerns.

Structural reforms are essential for South Africa's economic stability. Meanwhile, sub-Saharan Africa is grappling with borrowing challenges due to shifts in global monetary policy. Despite persistent downside risks in the region, there are promising signs, with key economies adopting policy reforms to sustain long-term growth.

Medium-term outlook in key presence markets[1]

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

South Africa's economy was under pressure over the past year as it faced multiple headwinds, including higher levels of load-shedding, a deterioration in rail and port performance and financially constrained consumers. While daily load-shedding intensity will likely remain volatile, some improvement seems likely this year and beyond. The return of generation units from the Kusile power plant and Medupi will give Eskom 4GW more generation capacity for the 2024 winter than last year. At the same time, the reform initiative to abolish the licensing threshold for embedded electricity generation has supported a flurry of private sector projects and investment in alternative energy sources. In 2024 alone, the National Energy Regulator of South Africa registered 4.5GW in private sector energy projects. As these projects come online, this should also help to ease the pressure in coming years.

Disappointingly, rail and port performance have deteriorated recently, presenting a significant challenge for bulk commodity exporters and domestic producers that need imported inputs. Meanwhile, the government's Operation Vulindlela initiative has brought some focus to structural reform, but progress has been slow. Against this, business confidence has remained weak, limiting growth in non-energy related private sector investment. Therefore, after an estimated growth of 0.5% in 2023, we forecast the South African economy to grow by 1.1% in 2024 and 1.6% in 2025.

Headline inflation has eased in recent quarters as some upside global shocks of the last two years have abated, and further moderation seems likely. A larger-than-usual spread of Avian Flu in 2023 appears to now be largely under control, while the El Nino weather has thus far been milder than usual. With global food price inflation still muted, this should support lower food inflation in 2024 and beyond. However, South Africa's ongoing infrastructure constraints have raised the cost of doing business for many firms, with risks that these costs could be passed on to consumers. We forecast CPI inflation to slow from 5.9% in 2023 to 5.1% in 2024 and 4.6% in 2026.

With inflation set to ease, scope should open for the SARB to lower the repo rate this year. That said, with inflation expectations still elevated and global monetary policy settings remaining tight, the SARB is unlikely to be in a hurry to deliver rate cuts. Moreover, given South Africa's weak growth fundamentals, creaky infrastructure and higher risk premium, the rate-cutting cycle is unlikely to be deep. We expect the SARB to reduce the repo rate by a cumulative 75bps in the second half of 2024, leaving the repo rate at 7.50% (and the prime rate at 11%) over the medium term.

[1] *Absa Economic Research Q1 2024*.

Our four most significant regional operations

Kenya

The economy continues to strengthen, underpinned by buoyant activity in the agriculture and services sectors. We estimate growth at 5.2% in 2023 and expect it to average around 5.5% over the medium term. In addition to strong multilateral support, we expect favourable weather conditions and strong infrastructure investment, particularly in the energy sector, to support the growth outlook. Kenya appears to be addressing its FX liquidity challenges, which will boost business confidence. We anticipate that authorities will focus on reducing the country's debt vulnerabilities in coming years. External accounts are projected to remain under pressure, reflective of debt sustainability concerns and sovereign liquidity risk.

Botswana

Following estimated economic growth of 3.2% in 2023, we expect the diamond mining sector to remain under pressure amid weaker global growth prospects. However, Botswana's non-mining sector is likely to find support from modest inflation and the highly accommodative monetary policy stance in the medium term. The economy should also benefit from the improved terms on diamond-revenue sharing with De Beers. However, fiscal constraints are increasing, while adverse weather conditions remain a fundamental threat to the agricultural sector in coming years. We expect growth to average around 3.8% over the medium term.

Outlook continued

Ghana

Although the recovery remains fragile, we anticipate the economy to strengthen further in 2024 and beyond, following an estimated growth of 2.6% in 2023. Multilateral support remains critical to the country's outlook, along with increased gold mining, higher fiscal spending (especially development spending), decelerating inflation and lower policy rates. Ghana's debt restructuring is expected to be completed by mid-2024, while the focus remains on structural reforms over the medium to long term to address fiscal and debt vulnerabilities and lift the economy to a more sustainable and inclusive growth trajectory. However, possible delays in debt restructuring and significantly higher election-related spending threaten the medium-term outlook.

Mauritius

We expect economic growth to slow further after growth came in at an estimated 5.2% in 2023. Fading base effects are seeing growth in tourist arrivals levelling off, while the weaker global economic environment threatens the island's tourism sector over the next two years. We expect real GDP growth to soften to around 4% over the medium to longer term, driven partly by softer inflation and government infrastructure investment.

Executive Opinion Survey 2023[1] - Top five risks over the medium term

South Africa	Kenya	Botswana	Ghana	Mauritius
Energy supply shortage	Economic downturn	Unemployment	Unemployment	Labour shortage
Economic downturn	Public debt	Inflation	Public debt	Economic downturn
Unemployment	Unemployment	Inequality (wealth, income)	Inflation	Public debt
State fragility	Inflation	Household debt	Cybercrime and cyber insecurity	Inflation
Water supply shortage	Food supply shortage	Digital inequality	Economic downturn	Extreme weather events

Risk categories

Economic | Environmental | Geopolitical | Social | Technological

Baseline scenario for Absa's top five presence countries	2023	2024	2025	2026
South Africa				
Real GDP (%y/y)	**0.5**	1.1	1.6	1.7
CPI (% avg)	**5.9**	5.1	4.6	4.5
Policy rate (% eop)	**8.25**	7.5	7.5	7.5
Botswana				
Real GDP (%y/y)	**3.2**	3.6	3.8	4.0
CPI (% avg)	**5.1**	3.3	4.5	4.2
Policy rate (% eop)	**2.4**	2.4	2.4	2.4
Ghana				
Real GDP (%y/y)	**2.6**	3.8	4.2	4.9
CPI (% avg)	**39.2**	19.5	15.5	11.6
Policy rate (% eop)	**30**	24	17	17
Kenya				
Real GDP (%y/y)	**5.2**	5.5	5.6	5.6
CPI (% avg)	**7.7**	5.6	5.8	5.5
Policy rate (% eop)	**12.5**	11.5	10	10
Mauritius				
Real GDP (%y/y)	**4.9**	4.5	4.0	3.7
CPI (% avg)	**7**	4.4	3.6	3.3
Policy rate (% eop)	**4.5**	4.5	4.5	4.5

Source: *Absa Economic Research Q1 2024* released February 2024. SSA Viewpoints pages 9, 12, 15 and 18. South Africa Q1 2024 Quarterly Perspectives page 14.

[1] World Economic Forum – Global Risk Report 2024.

Outlook continued

Possible effects of these trends on our strategic ambitions ...

We identify which strategic pillars are most at risk by assessing global risks, industry changes, and key market trends. The data also helps us understand how changes to various capital inputs may affect our strategy execution and outperformance ambition. We view the possible effects over the medium and long-term as follows:

A diversified franchise with deliberate, market-leading growth

Capital most impacted

We will expand further into the continent to bolster growth and diversify our portfolio, with a heightened focus on key growth segments in South Africa. Our diversification and growth plans require financial capital as impetus, while strained economic conditions, low growth and high interest rates lead to elevated risk and a need for potential capital preservation.

During our strategic planning process, we considered various scenarios in the global macro environment over the next three years, considering factors such as interest rates, monetary policy, GDP growth and inflation as well as additional weather, societal and political inputs, where appropriate. The focus was on how these scenarios could influence our ability to create market-leading growth. We are encouraged that, despite the moderate to weak economic outlook across many of our developing country markets, we are in a strong capital position to deliver our medium-term plan (2024-2026).

The primary partner for our clients

Capitals most impacted

Our clients' needs are continuously evolving, and they expect more from us as their primary partner. The market landscape is also becoming more competitive, with competitors ranging from traditional banks to low-cost, digital-only banks and non-financial services players all competing for client primacy and market share. We will win by leveraging our digital capabilities around our clients, investing in client experience and delivering superior client value propositions based on unique data-driven insights.

A digitally powered business

Capital most impacted

New breeds of competitors are taking advantage of technology to win clients with innovative and disruptive digital offerings, investing in emerging AI technologies, data analytics, and robotics. With our increase in digital offerings, cybercrime and cyber insecurity remain risks, and we compete for quality intellectual capital to ensure that our technology architecture and/or data assets are not compromised. Achievement of our medium-term plan accounts for digital investment, as reflected on our 2024 change initiative budget.

A winning, talented and diverse team

Capital most impacted

Our business model relies on skilled human capital. The skills shortage in Africa is driven by inadequate and poorer quality education, leading to high unemployment, brain drain and economic instability. Comprehensive efforts are required to address this challenge, including skills development and retention strategies. To overcome these difficulties as an organisation, we consider alternate human capital strategies and also grow our own human capital. The cost of critical skills to strategic initiatives is incorporated in the medium-term plan.

An active force for good in everything we do

Capital most impacted

Accelerating natural disasters globally are forcing action to combat global warming, and sustainability assets increased to USD2.5 trillion by 2022, a 17% rise from 2020. We believe sustainability investments to be a competitive advantage. Expanding our sustainability and ESG-linked financing serves the dual purpose of simultaneously achieving our purpose to empower Africa's tomorrow, together and our ambition to outperform over the long term. We are confident that we will reach our 2050 net-zero target and 2025 target of R100 billion in sustainable financing.

... and medium-term to longer-term targets

Short-term (<12 months)

Our 2024 guidance can be found in the *Interim Group Financial Director's message.*
- **CTI:** Improved
- **RoE:** Improved to between 15% and 16%, with 1H24 RoE below this range.

Medium-term (3 years)

- **CTI:** Low 50s
- **RoE:** Greater than 17% on a sustainable basis from 2026.

Long-term (3+ years)

We are clear on our long-term ambition to be a leading Pan-African bank, positioned among continental industry leaders through our aspiration to:
- Grow and diversify our revenue base
- Improve our operational excellence and our CTI ratio
- Increase our RoE and create enhanced shareholder value.

Value created and preserved

Protecting value through strong 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.

Legitimacy

Absa is grounded in the communities within our presence 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.

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.

Ethical leadership 1

Good conduct is fundamental to guarding against value erosion, 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 ethical** 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** 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, the Financial Sector Regulation Act 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 subsidiaries, 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 of the Board and Board Committee meetings; in the declarations of interest registers (reviewed at least every three 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, to consider matters of capacity and of potential conflict. 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, unless determined to be non-material, we implement a recusal procedure and affected directors are excluded from discussions and any decisions on subject matter related to the declared conflict.

Protecting value through strong governance continued

An ethical bank 2

Our conduct and how we do things are consistent with our purpose.

Absa's values help to shape our culture and guide how we behave and how we want our employees, clients and stakeholders to feel about interacting with us. By creating an environment where everyone feels valued, empowered and supported, our people can live 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, clients, 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 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 (SSEC), with the final approval of the Conflicts of Interest Policy by the Absa Group Board. The approved, revised Absa Way Code of Ethics includes principles on the ethical and responsible development and use of AI and our updated values and purpose statement. The Absa Way also includes the CEO and Board commitment statement, which recommits the Board and Executives to the principles and behaviours set in the code.

Values	Behaviours underpinning our values
Trust We believe in ourselves and each other	• I celebrate others' success • I take accountability for my actions • I embrace honesty and integrity • I create a safe space for others to fail forward • I am supportive, empathetic and kind.
Resourceful We innovate for our colleagues, clients and communities	• I am curious and willing to learn • I take the initiative to solve problems • I am decisive in my actions • I bring my best self to work every day so I can outperform for our clients • I am resourceful and creative in my problem-solving.
Stewardship We take actions today that sustain our tomorrow	• I am mindful of how my actions will impact future generations • I am committed to exceeding expectations • I embrace life-long learning • I cultivate a growth mindset • I embrace challenges as an opportunity to grow.
Inclusion We are stronger together	• I seek out collaboration • I embrace and celebrate diversity • I create safe spaces and honour others' boundaries • I treat all people with care and respect and endeavour to earn their trust • I share my knowledge and transfer my skills freely.
Courage We show up as our authentic selves to own our story	• I see and honour the humanity in others • I create a safe space for others to be vulnerable • I show up authentically • I speak up for others • I value others' unique contributions.

Protecting value through strong governance continued

In 2023, the second ethics risk assessment survey was successfully conducted across the Group. The survey focused on ascertaining perceptions of behaviours of fellow employees, line managers, and leaders while assessing the effectiveness of ethics processes and reporting systems. The survey further included the benchmarking of Absa ethics risk assessment survey results with local and international peers of similar sizes and industries. The ethics risk assessment resulted in an overall ethics score for 2023 of 80.7, an improvement from the 2021 score of 77.7.

The Absa Way 'speak up and speak out' training continued to be rolled out in 2023 and included sharing lessons learnt regarding 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. As part of our force for good initiatives, ethical leadership awareness sessions were rolled out in technical and vocational education and training colleges across eight provinces in South Africa. Absa is sponsoring the Business Ethics Network (Ben) Africa conference (continent-wide) for the next three years. This is in support of shaping business Ethics on the African Continent. The 2023 theme was Corruption, ubuntu, and the opportunity for change. As part of the 2023 Conference, Absa also hosted the Absa Ben Africa Supplier Day on 31 October 2023, where small businesses were given an opportunity to participate in the Ethically Aware Supplier Induction Programme tailored to focus on business ethics and integrity.

In 2023, the Ethics Institute announced the Absa Group as the finalist of the Ethics Initiative of the Year Award in recognition of the Absa Ethics programme. It specifically recognised how Absa managed and executed the ethics programme in the context of hybrid working arrangements, including the proactive ethics interventions implemented to help the organisation thrive in a hybrid working environment. We were equally proud to have Absa Group awarded the Chartered Institute of Procurement and Supply Ethics Kite Mark, having undergone robust assessments. We hosted various panels in 2023 in many jurisdictions, including live ethics panel discussions by senior executives within the Group. The Ethics Ambassadors Forum continues to drive the conversation on ethics risks and tools.

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 Way Code of Ethics, Absa Values, Employment Relations Policy, Conduct Risk Framework, Fraud Risk Policy and Outside Business Affiliation Standard.

Absa has zero tolerance for wilful detriment to clients, market integrity, and competition caused by 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 such as the C-Zone compliance monitoring platform, culture surveys, and tracking disciplinary cases, grievances and incapacity matters in line with our Employment Relations Policy. Conduct also forms part of an employee's annual performance assessment. Platforms have been created for employees to report inappropriate conduct, including a whistleblowing avenue that enables employees to report such conduct anonymously.

Unethical and other forms of improper conduct by an employee may result in a range of possible disciplinary sanctions, including summary dismissal. In South Africa, a dismissal for an act of misconduct with an element of dishonesty also results in the employee being red-listed on the database maintained by the Banking Association South Africa for a period of five years and/or debarred, where called for. In instances where the misconduct also amounts to criminal conduct, a criminal case is also initiated against the employee.

The number of disciplinary cases as a percentage of employees remained stable. Most matters dealt with in 2023 related to less serious offences. Of the 1 678 disciplinary cases concluded in the year (2022: 1 690), 341 were due to ethical breaches (2022: 422).

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 2023, 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 2023, 441 tip-offs were received, of which 94 (34% of closed cases) were substantiated and 183 unsubstantiated to date, while 164 remain under investigation (2022: 416; 160; 250; 6). 330 tip-offs were staff-conduct-related, of which 69 (36% of closed cases) were substantiated to date (2022: 116; 40%). 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 required. Ten 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.

Whistleblowers can email *protect@tip-offs.com* or visit *www.tip-offs.com*. They can also email the Absa Priority Investigations and Whistleblowing team directly at *protected@absa.africa* or send an anonymous WhatsApp to 0860 660 007.

Protecting value through strong governance continued

Data privacy and the protection of personal information are integral to how we treat personal information. In 2023, Nigeria and the Seychelles enacted data privacy legislation, strengthening regulatory controls on utilising personal information across the Group. Our Group Data Privacy Office has oversight on all data protection activities and continues to report on compliance obligations and data privacy best practice, including data privacy breaches and remediation, reviewing privacy impact assessments to ensure that we include data protection at the inception of product development and partnering with the data governance structures to ensure an integrated approach to data privacy compliance.

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, 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. The above robust supplier due diligence that upholds governance has been used as a base to refresh and extend coverage to various third parties through an all-encompassing Third-Party Policy Framework.

Absa continues to develop and improve a set of compliance indicators against which we will evaluate suppliers. 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 SSEC. 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 on 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 2023 to raise ethics awareness with our current and potential suppliers. Suppliers were encouraged to undergo certifiable NQF 4 training on ethics.

Furthermore, we were assessed by independent agencies and achieved the following recognitions as a result of the focused approach to this vital topic for the second year running: ISO 37001 certification.

In adhering to our Supplier Code of Ethics Policy, we align with the Group's ERMF 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 sustainability practices and management from which future performance improvements and impact can be tracked, measured and communicated. No supplier relationships were terminated in 2023 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 521 discrete control reviews during the year (2022: 486).

Supplier Code of Ethics

The Group High-Risk Onboarding and Exit Committee is a management committee that makes decisions regarding high-risk clients and related financial, compliance, conduct and reputational risks. 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. Of the 185 suppliers assessed through standard procurement procedures, eight were referred to the Committee for review, and four supplier relationships were exited.

The executive team assesses the degree of alignment between our key suppliers and clients 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.

Our commitment to enhancing sustainability governance is evident through ongoing efforts to augment the depth and breadth of sustainability expertise across the organisation through specialised training encompassing Board members, our ExCo, as well as our employees, with 63.71% of all employees having completed the mandatory online training across the Group (excluding Mozambique) by the end of 2023.

We also recognise the importance of building capacity in sustainability to enable us to navigate the evolving business landscape, mitigate risks, meet stakeholder expectations, and contribute to long-term sustainable growth. It is not only a risk management imperative but also a strategic opportunity for innovation, growth, and positive societal impact.

We acknowledge the importance of effectively monitoring our progress. This led us to develop the Sustainability Metrics Framework, which guided the enhancement of our Group-wide sustainability metrics and targets cascaded across the organisation.

Protecting value through strong governance continued

Strategy and performance

Key Board focus areas

Going beyond individual Board committee mandates, the Board actively champions value creation and innovation by supporting leadership, optimising organisational structures, fostering cross-functional collaboration, and avenues for profitable growth. These are vital elements in delivering on strategic objectives.

2023 key focus areas	Capitals impacted	Stakeholders impacted	Link to strategic themes	Link to material matters
The diversification strategy within geography, segment and products in our ARO markets and considering opportunities with significant banking revenue pools beyond our current ARO presence markets.				• Accelerating economic momentum • State-to-sector interconnectedness • Digital dependencies and vulnerabilities • Rising regulation • Evolving employee value proposition.
The approval and implementation of a significant B-BBEE transaction: The transaction sees 7% of the total Absa Group shareholding allocated to structures that benefit black South African participants in a CSI Trust (4%) and an Employee Trust (3%), with 1% equivalent allocation to employees outside of SA.				• Accelerating economic momentum • Supporting social cohesion • Evolving employee value proposition.
The set up of an office in China as part of our international strategy and growth ambitions: The wholly foreign-owned enterprise (WFOE) permits us to provide general advisory services to clients based in China for concluding transactions in South Africa and across the African continent. The WFOE will be a non-banking subsidiary of Absa Group Limited.				• Accelerating economic momentum • State-to-sector interconnectedness • Digital dependencies and vulnerabilities • Rising regulation.
The launch of Absa's new purpose (and purpose-driven approach) and approval of the Group's new values, supporting the transformation of the Group's culture: The focus on human-centred empathy and client experience became integral to the brand, aligning it with values that resonate with clients. This deliberate alignment positions Absa Group as more than just a financial institution, showcasing a commitment to values that prioritise people and their experiences.				• Accelerating economic momentum • Supporting social cohesion • Climate change and a just transition • Evolving employee value proposition.
The embedment of the Sustainability Framework into operational activities in alignment with sustainability metrics, targets, and scorecard setting, our commitment to becoming a net-zero bank by 2050 and our pledge to align our financing with the goals of the Paris Agreement: We saw the work to establish baselines for our financed emissions in the fossil fuel sector, covering coal, oil and gas, and also set targets for reducing operational emissions to achieve net zero.				• Supporting social cohesion • Climate change and a just transition • Rising regulation • Evolving employee value proposition.
Much focus went into the setting and measuring of performance targets for the relevant Group long-term incentive (LTI) and Group short-term incentive (STI) scorecards in order to create alignment with our shareholders and broader stakeholder expectations. In addition, the Board focused on strengthening pay for performance.				• Accelerating economic momentum • Climate change and a just transition • Evolving employee value proposition.

Reflection on innovation

The B-BBEE transaction exemplifies a commitment to transformation and diversity, garnering recognition as the best deal of the year at the DealMakers Annual Gala Awards. The expansion into China strategically positions the Group to serve Chinese and African clients and stakeholders across the African continent, contributing to the diversification of the Group's offerings and earnings. Geographical diversification, evident in the ARO markets, significantly boosted revenue and Group earnings and will continue to do so through our stated ambition to grow ARO's earnings faster than those of SA's through additional organic and inorganic initiatives. The purpose and values positioning fuelled cultural transformation, inspiring innovative banking approaches with a focus on human-centred empathy. The brand positioning will further support this. Prioritising our Sustainability Framework, metrics, and scorecard setting underscores our dedication to sustainability, fostering innovation in efforts to understand our exposures from an emissions point of view, and implementing new technologies regarding data to meet sustainability targets and ultimately achieve net zero. Finally, aligning LTIs and STIs with key leadership and strategic goals serves as a structured framework to drive resource allocation within the Group.

Protecting value through strong governance continued

Governance objectives

The objectives and critical success factors of those charged with governance are clearly defined.

Corporate strategy

Substantive achievement

Strategy execution and performance updates were regularly provided to the Board with robust challenge and engagement thereon. The Board approved the Integrated Plan for the short and medium term and supported the longer-term growth and diversification strategy.

While there was extensive engagement regarding elements of this objective, and much achieved on various elements of the Group's non-financial performance, it is recognised that financial performance did not meet expectations. The strategy, however, remains robust with a focus on diversification of returns and growth opportunities going forward.

2024 focus areas

Oversee the execution of the approved short-term plan for 2024 and the medium-term plan within the framework of the approved risk appetite while considering the uncertainties within the macro environment, with a particular focus on the returns and growth strategy for the South African businesses and ARO.

A digitally powered business

Substantive achievement

Significant progress has been made in terms of stability, cybersecurity and digitalisation. Regular reports have been submitted to the Board and committees. Presentations on cloud and AI and new digital products were regular features on the Committee agenda. The Committee was focused on controls, retention of scarce skills and return on investments and will continue to focus on these going forward. The technology roadmap was well received, with architecture being a high priority.

2024 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 client experience (recognising different needs for our diverse clients) and sustainable benefits realisation, within the context of an accelerated pace of change and the use of new technologies including AI to benefit the Group and review the architecture of the Group in the context of the strategy and the related requirements of the business.

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

Full achievement | Substantive achievement | Modest achievement | Limited achievement

A winning, talented and diverse team

Full achievement

The Board and Committees noted considerable progress on the employee front with marked improvement for the third year running in employee engagement and in client experience scores. While progress was observed in employment equity and diversity overall, the committees challenged the number of women in leadership and in commercial roles in particular. Importantly, the values were refreshed and approved, creating an opportunity for colleague involvement and engagement and for positive culture transformation. Much work was done in the committees to ensure the appropriate link of performance to reward and alignment with shareholders. Talent management and succession management remains a focus and will be intensified in the coming year.

2024 focus areas

Monitor and assess the Group's progress regarding:

- Diversity, inclusion and belonging in all our geographies
- Client centricity
- Our values and ethical practices
- The continued culture transformation journey and related employee engagement
- Talent strategy and succession
- Performance and reward.

An active force for good in everything we do

Substantive achievement

There was significant monitoring by relevant committees on all areas of the Active Force for Good initiatives within the Group and in particular significant progress was made in various areas of sustainability reporting and target setting (as reported in our *Sustainability* and *Climate* reports). However, it is recognised that there is more to do in terms of determining additional specific goals in our journey to net zero.

Significant inroads were made with the announcement and implementation of our B-BBEE Scheme (approved by shareholders in June 2023) with opportunities created for all our employees to participate in shares; and opportunities for others to benefit from dividend flows through the establishment of the Absa CSI Trust. Much work and reporting on these initiatives was done through the Board and committees with the embedment and experience of this in our communities to follow in the coming year.

2024 focus areas

Monitor the Group's role regarding sustainability matters, focusing on:

- Inclusive finance
- Climate/environmental sustainability
- A just society
- The Group's contribution to a just transition and its net-zero journey
- Education, skills development, and entrepreneurship.

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

Protecting value through strong governance continued

Structure and delegation

10
The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

6
The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

10
The Board believes arrangements for accessing professional services are effective.

Board

< Delegation

Accountability >

Group Chief Executive Officer

Supported by our Group Executive Committees and various sub-committees

Delegation

Oversight, assurance and reporting

Independent assurance

External audit, internal audit and other professional advice

In 2023, this included remuneration advisers and legal advice

Group

Subsidiaries

Subsidiaries

Subsidiaries

Board committees

Directors' Affairs	Audit and Compliance	Risk and Capital Management
Information Technology	Board Finance	Credit Risk
Remuneration	Social, Sustainability and Ethics	Models

8
All Board committees are satisfied that they have fulfilled their responsibilities in accordance with their respective charters for the reporting period.

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 that enables us to navigate the necessary trade-offs between the capitals.

Protecting value through strong governance continued

Our Board As at date of publication.

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

Independent directors

Sello Moloko [58]

Independent Chairman

BSc (Hons), PCGE, AMP

Two years and three months

Nonhlanhla Mjoli-Mncube [65]

Lead Independent Director

PgCert (Engineering Business Management), Fellowship in Urban Development, Masters in Regional and Urban Planning

Three years and five months

Alison Beck [67]

BCom, CA (Scotland), Associate Diploma (Institute of Bankers South Africa)

Three months

Alpheus Mangale [48]

National Diploma in Computer Systems Engineering; Post Graduate Certificate in Management, AMP

Seven months

Daisy Naidoo [51]

BCom, CA(SA), MAcc (Tax)

Seven years and nine months

Fulvio Tonelli [64]

BCom (Hons), CA(SA)

Three years and seven months

Ihron Rensburg [64]

BPharm, MA (Political and Organisational Sociology), LLD (Hons Causa), PhD (International Development Education)

Four years and five months

John Cummins [62]

MBA, BA (Hons)

Two years and four months

Luisa Diogo [66]

Bachelors in Economics, Masters in Financial Economics

Five months

Board and committee attendance
96%
(2022: 98%)

Peter Mageza [69]

Chartered Certified Accountant, Fellow of the Association of Certified Chartered Accountants

Six months

René van Wyk [67]

BCom, BCompt (Hons), CA(SA)

Three years and six months

Rose Keanly [65]

BCom (Hons), BSc

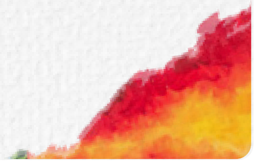
Four years and six months

Tasneem Abdool-Samad [50]

BCom, CA(SA)

Six years and two months

Number of Board and committee meetings
82
(2022: 97)



Executive directors

Arrie Rautenbach [59]

Absa Group Chief Executive Officer

BBA, MBA, AMP

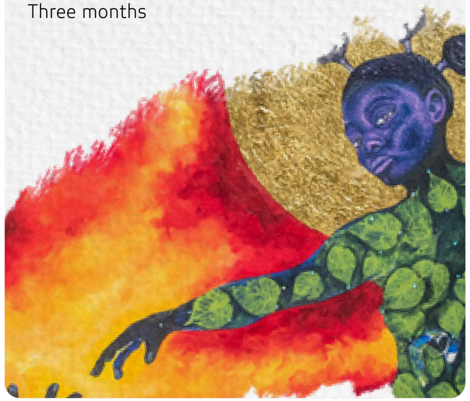
Two years

Chris Snyman [48]

Absa Interim Group Financial Director

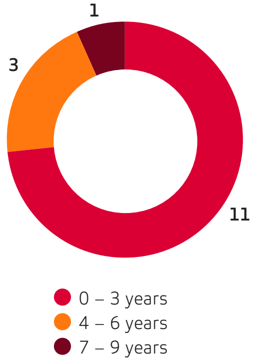
BCom (Hons), CA(SA)

Three months



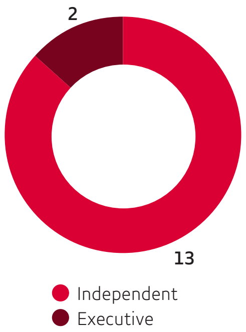
Protecting value through strong governance continued

Tenure



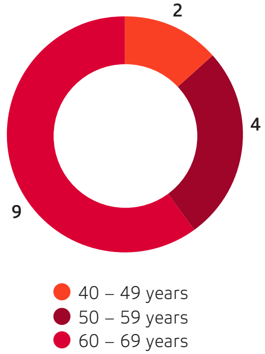
Average tenure 4 years

Independence



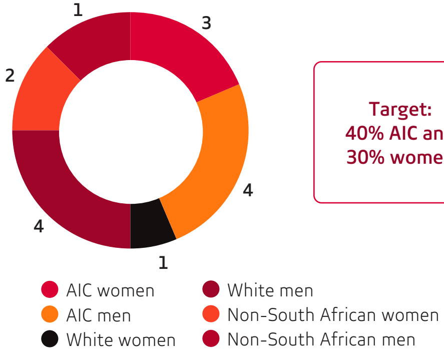
87% independent

Age



Average age 60.4 years

Race and gender representation



Target: 40% AIC and 30% women

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.

Changes since the 37th annual general meeting (AGM)

Additions

- Alison Beck
- Alpheus Mangale
- Chris Snyman
- Luisa Diogo
- Peter Mageza

Status change

Fulvio Tonelli became an independent non-executive director

Retired

- Alex Darko
- Francis Okomo-Okello

Resigned

- Jason Quinn
- Swithin Munyantwali

Changes proposed at the 38th AGM

For election

- Alison Beck
- Alpheus Mangale
- Luisa Diogo
- Peter Mageza

For re-election

- Arrie Rautenbach
- Ihron Rensburg
- John Cummins
- Rose Keanly
- Sello Moloko

Protecting value through strong governance continued

Board performance evaluations

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

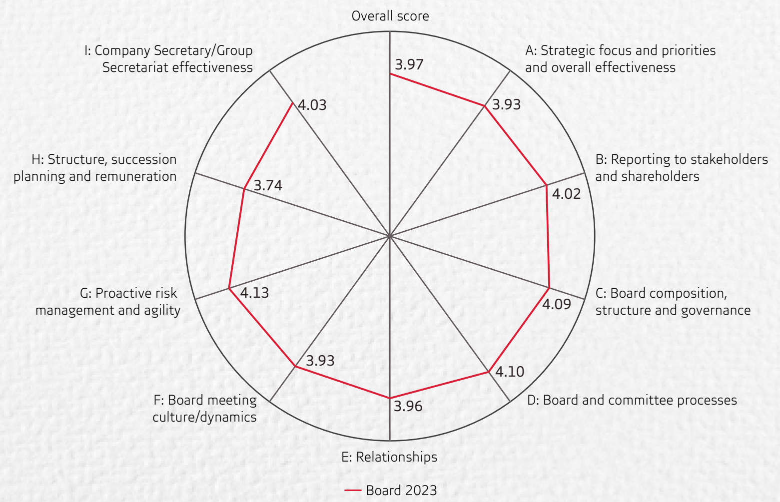
The Group conducts an annual effectiveness review to evaluate the performance and effectiveness of the Board, its committees and individual directors, including the Chairman, in line with section 64(B)(b)(iv) of the Bank's Act, 1990. The performance evaluation process may differ in methodology from year to year but normally takes the form of a detailed questionnaire, complemented in every second cycle by individual interviews with each of the directors. The Board will also appraise the extent to which the Board committees have delivered on their mandate and supported the Board. The evaluations may be independently facilitated. The 2023 evaluation was conducted internally and consisted of three reviews: (i) Group Board general evaluation, (ii) Group Board committees from a Board perspective, and (iii) Peer review.

The nine sections evaluated under the general evaluation in 2023 all received slightly higher scores than those in 2022. For the Board committees, even though the 2023 questions were similar to 2022, the 2023 evaluation was performed from a Board perspective of the committees and not a committee member perspective of the committees. All the committee scores, when compared to 2022, reflected an improvement with scores of 4 or higher (out of 5). The Board also confirmed that the composition of the Board committees is appropriate, with the correct knowledge, experience and skills.

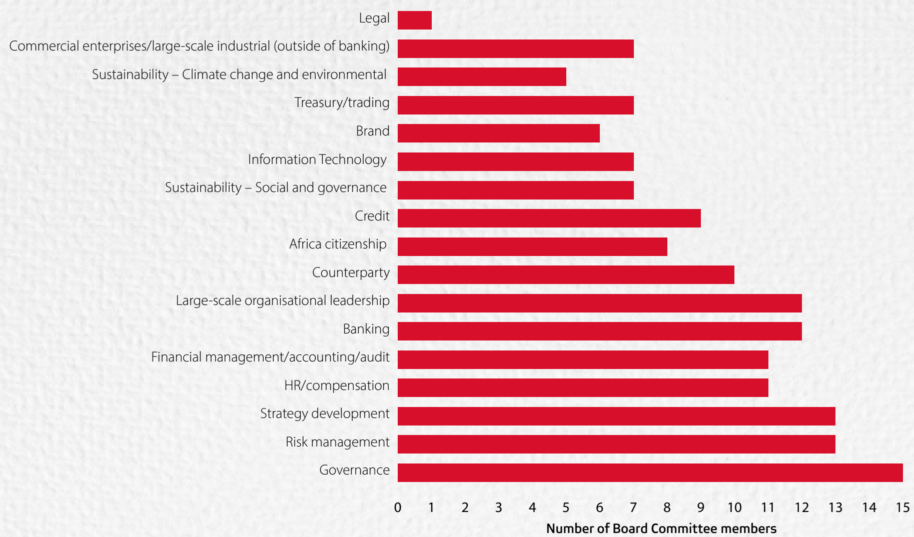
2023 general evaluation categories	2022 general evaluation categories	2023	2022
Overall scores (sections A–I)	N/A	**3.97**	
A. Strategic focus, priorities, and effectiveness	Part 1: Strategic focus, priorities, and overall effectiveness	**3.93**	3.73
B. Reporting to shareholders and stakeholders	Part 2: Core governance	**4.02**	3.68
C. Board composition, structure, and governance		**4.09**	
D. Board and committee processes		**4.10**	
E. Relationships	Part 3: Board dynamics	**3.96**	3.47
F. Board meeting culture/dynamics		**3.93**	
G. Pro-active risk management and agility	Part 4: Board agility	**4.13**	3.31
H. Structure, succession planning, and remuneration		**3.74**	
I. Company secretary/group secretariat effectiveness	Part 5.1: Company secretary evaluation – statutory duties	**4.03**	4.00
	Part 5.2: Company secretary evaluation – corporate governance		4.03

Regarding the needs of the business, the Board confirmed that they collectively bring the appropriate balance of knowledge, skills, diversity and experience to the Group. For 2023, the Board achieved scores of 3.74 or higher out of 5 (being in the good or excellent category) for all the themes evaluated, with an overall score of 3.97.

Summary: Average scores per theme



Board skills



Protecting value through strong governance continued

Board Committee focus areas

Our governance structures and processes support integrated thinking and decision-making, which enables us to navigate the necessary trade-offs between the capitals.

Directors' Affairs Committee

Sello Moloko

Committee Chair

2023 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 and Committee composition, including replacing the skillsets of the two Board members who retired and appointing additional Board members to bolster the risk, audit and technology skill sets on the Board
- Succession planning (at a Board and executive level)
- Diversity, which included setting and monitoring the targets set by the Board
- External directorships – formulating a new Policy Framework pursuant to regulatory requests and bolstering the approach to determining the appropriateness and impact of external directorships held by Board members
- Update of the Board policies
- Board governance objectives (approved objectives and monitored the work performed)
- ARO boards – composition, skill sets, and nominees
- Governance requirements and proposed director and trustee appointments for the Group's B-BBEE ownership scheme.

2024 focus areas

Areas for focus in the year ahead include:

- Board composition (to achieve optimal composition in terms of the number of members, respective skill sets, 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, skill sets and effectiveness.

Group Risk and Capital Management Committee

René van Wyk

Committee Chair

2023 focus areas and material decisions

Key matters included:

- Capital adequacy, liquidity and funding
- Sovereign debt sustainability and the impact of the macroeconomic environment on sovereigns
- Risk appetite metrics and performance against those
- The ERMF, the related principal risk profiles and any corrective management actions
- Regular updates on the macroeconomic environment, including economic recovery, headwinds and volatility, and client stress, to assess possible impacts on the Group's risk appetite
- Global bank failures
- Deep dives into consumer stress
- Impact assessment on risk data aggregation and risk reporting compliance
- Updates on the Group's structural hedge
- Updates on regulatory reforms, including interest rate risk, depositor insurance scheme, and the Monetary Policy Implementation Framework (MPIF)
- Deep dives on market risk, including the impact of the close of the FX market in Nigeria
- Impact of load-shedding and related power planning
- Development of scenarios and stress testing, including climate risk stress testing and scenario analysis
- Recommendation to the Board of reports to be submitted to the Regulator including in relation to capital adequacy, liquidity and the Group's Recovery Plan
- Processes for screening sensitive sector and sustainability financing transactions.

2024 focus areas

Areas for focus in the year ahead include:

- The macroeconomic environment
- Consumer stress
- Risks posed by non-presence markets
- 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
- Further evolution of impact assessment on climate risk stress testing and scenario analysis
- Capital, liquidity and funding management across the Group.

Protecting value through strong governance continued

Group Audit and Compliance Committee

Tasneem Abdool-Samad

Committee Chair

2023 focus areas and material decisions

Key matters included:

- Sustainability of the control environment, including continued oversight on the lines of defence and the combined assurance providers and ongoing monitoring of IT access controls
- Continued to oversee the Group's migration of its consolidation and reporting system and the potential impact on financial reporting
- Impairment of loans and advances at amortised cost (IFRS 9)
- Valuation of complex financial instruments
- Considered feedback on IFRS 17 implementation, including the external audit of the transition adjustments
- Anti-Money Laundering (AML)/Countering the Financing of Terrorism (CFT)/Know Your Customer (KYC) requirements
- Considered the implications of ESG disclosures and related processes to support the Group in meeting the minimum ESG disclosure requirements as part of the standards released by the International Auditing and Assurance Standards Board (IAASB) and other relevant bodies
- Considered the *External Quality Assurance Review (EQAR)* on the Group Internal Audit function, assessed as "Generally Conforms" to the Institute of Internal Audit (IIA) Standards.

2024 focus areas

Areas for focus in the year ahead include:

- Continued focus on the sustainability of the satisfactory control environment, including adequacy and effectiveness of internal controls over financial reporting
- Ensure that a more effective combined assurance model is applied to provide a coordinated approach to assurance activities by internal audit, external audit, compliance, risk, and other internal control functions
- Continued monitoring of the Group's migration of its consolidation and reporting system
- Impairment of loans and advances at amortised cost (IFRS 9)
- Valuation of complex financial instruments
- Continue to perform relevant deep dives on emerging risk topics
- Continued monitoring of sustainability disclosures and related assurance processes
- Through the "Audit Committee Chairs" conference, continue engagement between the GACC chair and the chairs of the subsidiary audit committees on top-of-mind matters and thought leadership.

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 considered concerning the annual financial statements and how the committee addressed these.

Information Technology Committee

Peter Mageza

Committee Chair

2023 focus areas and material decisions

Key matters included:

- Monitoring management's actions to maintain stability while continuously evolving our architecture and data as a strategic asset
- Overseeing the Technology Office and People function
- Attraction and retention of critical technology skills (Absa Technology invested approximately R180 million in 31 initiatives, with 612 participating students, to address the unemployed youth skills gap)
- Remediation of the IT 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
- Considering regulation and trends regarding the localisation of ARO data centres and IT systems and the impact on the Group
- Initial consideration of the impact of GenAI
- Considering the Group's IT roadmap, including the refreshment of the technology estate, landscape and platforms.

2024 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 client needs and behaviours being ahead of the curve regarding new technologies, such as cloud computing and Gen AI, with the outcomes of initial use cases being considered
- Ongoing attraction, development and retention of scarce skilled resources (creating alternate talent pools to address critical skills shortages in the industry in collaboration with strategic partners)
- Continuous intensive effort and investment to secure the bank and ensure a safe IT control environment
- Oversight of the Group's resilience on, and risk exposure in terms of, information assets and technology, ensuring the Board is kept informed on the IT roadmap
- Approval of sensitive sector (oil, coal and gas) glide paths to net zero.

Protecting value through strong governance continued

Remuneration Committee

Rose Keanly

Committee Chair

2023 focus areas and material decisions

Key matters included:

- Reviewed the appropriateness of our total remuneration policy, framework and principles and their composite parts
- Improved the robustness of alignment of scorecards at different levels of the organisation with the outcomes required at Group and Business/Function level, and performance management to strengthen alignment with remuneration outcomes
- Engaged with the Chairs of Remuneration/Human Resources Committees across our African footprint to address matters of Pan-African and local relevance
- Focused on key talent, scarce and critical skills in the context of our Pan-African strategy and the need for appropriate remuneration underpins to enable talent mobility.
- Made key appointments (including promotions) to attract and retain top and diverse talent, and to enable expansion into new markets
- Evolved fair and responsible remuneration and related disclosure across all elements of our human capital value chain, aligned to the Group's strategy
- Monitored the emerging regulatory landscape including the possible implications of the proposed amendments to the South African Companies Act
- Reviewed developments globally regarding control function remuneration to ensure independence of control functions while ensuring appropriate alignment to the role control functions play in the delivery of business results
- Addressed remuneration competitiveness through regular market benchmarking of total remuneration and that of senior executives against industry peers and ensuring appropriate market relativity of our reward offerings.

2024 focus areas

Areas for focus in the year ahead include:

- Ongoing shareholder engagement
- Refinement of Group and executive STI and LTI scorecards, aligned to the Board-approved short-term and medium-term plans
- Key talent, scarce and critical skills and talent mobility, supporting our Pan-African strategy
- Ensuring appropriate remuneration mix at all levels, including evolving control function remuneration
- Fair and responsible remuneration and our disclosures in this regard
- Dealing with changes in the regulatory environment and their implications.

Social, Sustainability and Ethics Committee

Ihron Rensburg

Committee Chair

2023 focus areas and material decisions

Key matters included:

- People, culture, B-BBEE, sustainability, and the Group's role in society
- The Absa Way Code of Ethics Policy and the Conduct Risk Management Framework were approved
- The annual review of existing sensitive sectors' financing standards was carried out, which included the incorporation of market-based best practice and standardisation
- Progress concerning the 10 principles outlined in the United Nations Global Compact
- Sustainability metrics and scorecard setting
- Client measurement indexes and metrics were approved
- Approval of the Citizenship Policy and noting of its related standard
- Approval of the Stakeholder Engagement Policy
- Business and Professional Associations Standard review and noting
- Brand Strategy review
- Corporate Citizenship Strategy review and approval
- Emissions target setting and progress towards achieving net zero by 2050
- Development of sustainability signature initiatives
- Sustainable Finance Issuance Framework
- Embedment of the Absa Africa Foundation Advisory Board
- Organisational health outcomes for the 2020 LTI (covering trends for 2019–2022) and the short-term outcome for 2022 were approved.

2024 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
- Client health and engagement in accordance with the Conduct Standard for Banks to ensure the fair treatment of our clients
- The integration of the sustainability strategy and activities within the Group and reviewing the various sensitive sectors' financing standards and substantial and tangible results towards the Group's active force for good strategy
- Corporate Citizenship Strategy embedment
- Approval of sustainability signature initiatives
- Development and approval of an Anti-Greenwashing Policy
- Absa Africa Foundation Advisory Board activities concerning its citizenship and sustainability activities.

Protecting value through strong governance continued

Board Finance Committee

Nonhlanhla Mjoli-Mncube

Committee Chair

2023 focus areas and material decisions

Key matters included:

- Update and monitoring of:
  a) Chinese presence: establishment of a WFOE in Beijing
  b) The status of ARO services recharge costs and related cash settlement, including the trends with regard to the acceptance of service costs
  c) Developments in the Ghanaian economy caused by severe economic stresses
- Input to the financial performance targets for the 2023 Group LTI and 2023 Group STI scorecards
- Together with the ITC, the approval of the Microsoft Subscription extension and Product suite upgrade from E3 to E5
- Financial results for the year ended 31 December 2023 and related dividend and SENS announcements approvals.

2024 focus areas

Areas for focus in the year ahead include:

- Governance oversight of the implementation of investments made, including the veracity of the business case
- Any inorganic acquisitions to be made by the Group
- Monitor the Absa corridor strategy execution and the related investment returns.

Models Committee

Chris Snyman

Committee Chair

2023 focus areas and material decisions

Key matters included:

- The Group's material models were reviewed, as required by the Prudential Authority (PA) (10 regulatory models submitted and six approvals received from the PA in 2023)
- 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. Specifically, the Fundamental Review of the Trading Book Standardised Approach Model was approved in advance of submission to the PA in 2024
- The new secured Absa Vehicle and Asset Finance Credit Risk Economic Capital Model Calibration was updated to include more recent default and loss data to yield a more granular segmentation structure to ensure more accurate risk measurement and to replace the PD-LGD correlation approach.

2024 focus areas

Areas for focus in the year ahead include:

- Approval of the Credit Value Adjustment Basic Approach Model in advance of submission to the PA
- 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.

Protecting value through strong governance continued

Group Credit Risk Committee

René van Wyk
Committee Chair

2023 focus areas and material decisions

Key matters included:

- Regular consideration of the overall portfolio health of the lending book and the related loan loss ratios, vintages, and impairments
- Deep dives were conducted on higher-risk and specific sectors (including sovereigns, home loans, SMEs and public and state-owned companies), considering the macroeconomic environment and resultant consumer stress
- The agriculture sector and the impact of climate and weather on certain regions were considered
- A deep dive was conducted on single names on the watchlist and management actions being taken in this regard
- The Group's exposures and further advances to renewable financing were reviewed and approved
- A review of the personal loans credit sanctioning and application validation process at the branches and call centre was conducted
- Country and sovereign risk exposures, following the sovereign debt crisis in Ghana 2022, lessons learnt and the risk management practices and trigger framework put in place to best manage the Group's exposure
- The annual review and approval of all large exposures that exceed 10% of the particular lending entity's Tier 1 qualifying capital in accordance with the requirements of the SARB.

2024 focus areas

Areas for focus in the year ahead include:

- The Group's loans and advances growth in the context of the macroenvironment, concentration risks and exposures, in particular to the higher-risk sectors of the economies that we operate in
- Monitoring the sectors affecting our sustainability ambitions and targets
- Bringing the CLR back into Board-target range.

9 **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.**

Protecting value through strong governance continued

Our Executive Committee

As at date of publication.

Arrie Rautenbach [59]

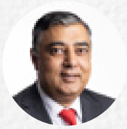
Group Chief Executive Officer

ExCo: Eight years and six months
Absa: Twenty-six years and eight months

Chris Snyman [48]

Interim Group Financial Director

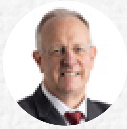
ExCo: Three months
Absa: Fifteen years and eight months



Akash Singh [50]

Group Chief Compliance Officer

ExCo: Four years and three months
Absa: Twenty years and four months



Charles Russon [57]

Chief Executive: CIB, PO

ExCo: Nine years and eight months
Absa: Seventeen years and six months

Cowyk Fox [50]

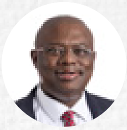
Chief Executive: EB, PO

ExCo: One year and seven months
Absa: Eighteen years and two months

Deon Raju [46]

Group Chief Risk Officer

ExCo: Two years and eight months
Absa: Twenty-five years and two months



Faisal Mkhize [51]

Chief Executive: RB, PO

ExCo: One year and seven months
Absa: Twenty seven years

Geoffrey Lee [54]

Chief Executive: PSC, PO

ExCo: One year and seven months
Absa: Sixteen years and three months

Jeanett Modise [61]

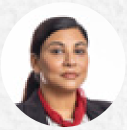
Group Chief People Officer

ExCo: One year and two months
Absa: One year and two months

Johnson Idesoh [53]

Group Chief Information and Technology Officer

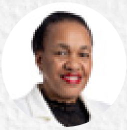
ExCo: One year and two months
Absa: One year and two months



Prabashni Naidoo [48]

Group Chief Internal Auditor[1]

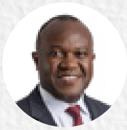
Ex-officio
Absa: Three years and two months



Punki Modise [54]

Group Chief Strategy and Sustainability Officer

ExCo: Two years and nine months
Absa: Sixteen years



Saviour Chibiya [52]

Chief Executive: ARO, PO

ExCo: Two years and three months
Absa: Thirteen years and three months

Sydney Mbhele [50]

Group Chief Brand, Marketing and Corporate Affairs Officer

ExCo: One year and two months
Absa: One year and two months

PO Public Officer

Changes during the year

Appointed

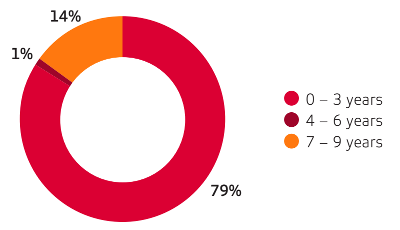
- *Chris Snyman*

Resigned

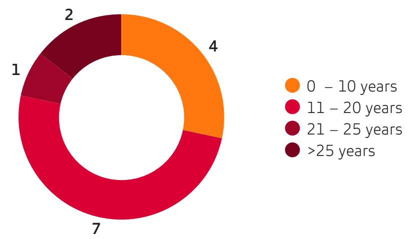
- *Jason Quinn*

Biographies can be found at *www.absa.africa*

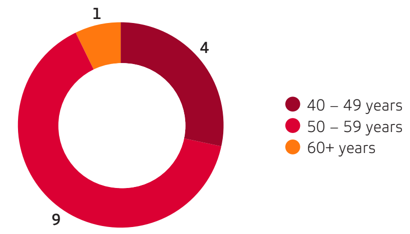
Tenure on Exco



Tenure at Absa



Age



[1] Prabashni reports directly to the Group Chief Executive Officer and to the GACC.

Protecting value through strong governance continued

Governance functional areas

Risk and opportunity 11

A *risk management overview* is provided in the material matters section of this report, detailing how risk is governed and managed and the risk appetite and tolerances of the Group. The *Pillar 3 Risk Management* Report provides detailed supplementary information on the Group's ERMF and 2023 performance. Risk is managed through our Board-approved ERMF and rigorous monitoring and reporting of the effectiveness of risk management is conducted 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.

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 responsibility for the oversight and maintenance of a culture of compliance and takes 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),** in accordance with the South African Financial Intelligence Centre Act (as amended), providing the strategic direction pursued by the Group towards achieving our objectives concerning financial crime risk management and compliance. The RMCP covers financial crime holistically, and consequently, it is underpinned by the Group Anti-Money Laundering Policy, Group Sanctions Policy, 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 it.

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 it, 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. 99.81% 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.

We have a zero-tolerance approach to causing detriment to clients, markets and effective competition. In the ordinary course of business, our various regulators conduct reviews of our business operations' controls and progress in meeting regulatory requirements. We continuously focus on compliance and risk controls. At times, however, remedial action is required, and administrative penalties and fines are levied on the Group.

Remuneration

14 **The Remuneration Committee (RemCo) is of the view that the remuneration policy achieved its stated objectives.**

The 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 pay, STIs and LTIs, 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, with a particular focus on remuneration differentials.

Our incentive structures are aligned with enterprise value creation and value creation for other key stakeholders.

Protecting value through strong governance continued

Dear participating investors, it is strongly advised that you carefully review the comprehensive and detailed *Remuneration Report*, as the content within pages 93 to 104 of this Report may not provide adequate information for an informed decision during the non-binding votes on the Remuneration Policy and Implementation Report. Our *Remuneration Report* sets out the full report from our RemCo, along with a background statement, remuneration policies and implementation reports.

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 Risk Management 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 that could result in material financial loss, fraud, corruption or errors within the IFCs are tabled with supporting mitigation plans. These IFCs are subject to independent review across the three lines of defence annually.

During 2023, Ernst and Young (EY) performed an independent external quality assurance review over Absa's Internal Audit function that is required at least once every five years. EY assessed the operation of IA as "generally conforms" to the Institute of Internal Auditors' (IIA's) Standards, which is defined by IIA as the highest achievable level of conformance. IA was also assessed by EY as "advanced" when benchmarked to global internal audit functions in the global banking sector.

15 Refer to the GACC report in the *Group Consolidated Annual Financial Statements* where the committee's views are disclosed in more detail.

The GACC is satisfied with the independence of the external auditor, specifically:

- The policy and controls over the provision of non-audit services
- The tenure of the external auditor
- Rotation of external audit partners.

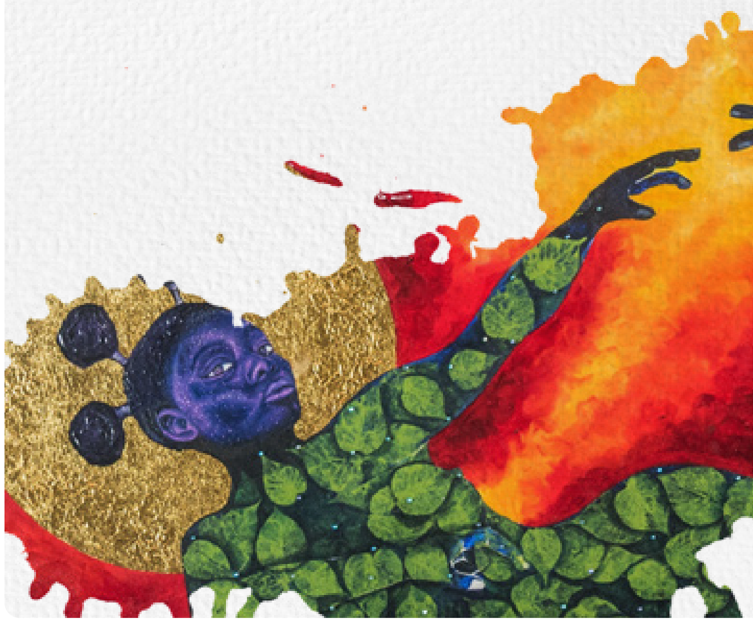
The GACC is of the view that the following functions and activities are effective:

- Design and implementation of financial controls
- The finance function, as led by the Group Financial Director
- The internal audit function, as led by the Chief Internal Auditor.

Stakeholder relationships 16

The SSEC 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, clients, stakeholders, and environment. It applies the recommended practices and regulations outlined in King IV and the Companies Act in executing its mandate. Our *stakeholders' needs and expectations* are considered in determining the Group's strategic responses.

Our organisational culture creates trust, inspires innovation and aligns with our business partners and broader stakeholders. We recognise the critical interdependency between value creation, preservation and erosion across all of our resources and relationships.



Rewarding value creation

Rose Keanly
Chairman: Group Remuneration Committee

"Our Remuneration Policy was generally positively received by shareholders at our 2023 AGM. This remains fit for purpose and is unchanged. RemCo continued its focus on remuneration's strategic role in enabling sustainable organisational performance and stakeholder value creation."

RemCo Chairman's Background Statement

I am pleased, on behalf of RemCo and the Board, to present to our shareholders our 2023 Remuneration Report setting out our Remuneration Policy and our remuneration implementation outcomes for 2023, including for executive directors and prescribed officers.

In the context of the progress made on Absa's strategic glidepath and the Group's performance, RemCo continued to focus on balancing shareholder and employee interests over time.

Our Remuneration Policy was generally positively received by shareholders at our 2023 annual general meeting (AGM). This remains fit for purpose and is unchanged. RemCo continued its focus on remuneration's strategic role in enabling sustainable organisational performance and stakeholder value creation.

Shareholder engagement

The Group Chairman and RemCo Chairman engaged extensively with shareholders ahead of our 2023 AGM regarding our Remuneration Policy and our Implementation Report.

At the AGM on 2 June 2023, we received an 86.98% vote in favour of the Remuneration Policy. We received a 67.59% vote in favour of the Implementation Report, which is below the 75% outcome in terms of King IV and the Johannesburg Stock Exchange (JSE) Listings Requirements. Dissenting shareholders were invited to a further engagement on 14 July 2023, where shareholders representing approximately 1.7% of issued Absa Group shares attended a Microsoft Teams call.

As in prior years, we have sought to address feedback received from shareholders in our evolving practices and disclosures, noting that this has sometimes required balancing diverse shareholder views. We thank our shareholders for their feedback.

Based on these engagements, RemCo has considered shareholder inputs and taken the following steps:

Shareholder feedback	Steps taken
Improved disclosure of performance targets and outcomes for executive directors and prescribed officers, and the link to remuneration outcomes.	RemCo has enhanced the Implementation Report, underscoring our commitment to leadership accountability and alignment of executives' incentive outcomes with sustainable long-term shareholder value creation. The 2023 short-term incentive targets and our achievement relative to these are in this Statement, and disclosed in our Implementation Report. We have improved disclosure regarding our 2021 long-term incentive outcomes, and the targets for the 2024 long-term incentive.
Alignment between the short-term incentive pool and headline earnings growth.	In 2021 and 2022 RemCo rebased the on-target short-term incentive pool to be more in line with peers in relation to headline earnings. There was no further rebasing in 2023. RemCo is comfortable with the on-target short-term incentive pool, and that the subsequent performance pool was appropriate for 2023, in respect of the relationship with headline earnings.
Long-term incentive awards to executive directors and prescribed officers should have robust and stretching targets, including both financial and non-financial targets.	RemCo is confident that the 2024 short-term incentive and 2024 long-term incentive scorecards support aligned delivery, robust performance focus and outperformance over the medium- to long-term. For 2024, RemCo has strengthened the threshold for financial performance metrics in the scorecards to at least the prior year's outcome. The metrics and targets in the scorecards align with the relevant short-term and medium-term plans.

Rewarding value creation continued

Shareholder feedback	Steps taken
The Group Chairman and RemCo Chairman sought shareholders' views on inclusion of Total Shareholder Return (TSR) metrics in incentive schemes.	TSR is a performance metric in our 2021, 2022 and 2023 long-term incentives. RemCo considered the ongoing relevance of this metric having regard to the diverse shareholder views, and has retained it in the 2024 long-term incentive. The appropriateness of TSR as a metric will continue to be reviewed. The TSR in the 2024 long-term incentive has been anchored to pay out only in the event of average performance relative to the selected peer group. There will be no vesting below the on-target level for this metric.
Regard for possible duplication of performance metrics for short-term and long-term incentives.	Our incentive scorecards operate on a complementary basis over the relevant performance periods (one-year and three-years, respectively), and RemCo is comfortable that where overlap occurs, it is appropriate. For 2024 there is a reduction of overlap between the short-term and long-term incentive scorecards, such that: • Return on equity (ROE) and headline earnings measures apply in both arrangements, given their priority. • Cost-to-income ratio applies only in the short-term incentives. • Organisational Health measures remain as customer and digital, colleague and sustainability.
Inclusion of change of control provisions and plan incentive limits in the Remuneration Policy.	The Remuneration Policy includes a summary of the change of control provisions and plan incentive limits in our Share Incentive Plan rules, as approved by shareholders in 2019.

Our Remuneration Policy and the Implementation Report for 2023 will be presented for separate non-binding votes at our AGM on 4 June 2024, with the resolutions included in the *2024 Notice of AGM*.

The RemCo Chairman and Group Chairman will engage extensively with shareholders in advance of the AGM to understand their perspectives on our Policy and Implementation.

RemCo focus areas

In addition to the shareholder consultations, during 2023 the RemCo focused on the following key priority areas:

- Reviewed the appropriateness of our **total remuneration policy, framework and principles** and their composite parts.
- Improved the **robustness of alignment of scorecards at different levels of the organisation with the outcomes required at Group and Business/Function level,** and **performance management** to strengthen alignment with remuneration outcomes.
- Engaged with the **Chairs of Remuneration/Human Resources Committees** across our African footprint to address matters of pan-African and local relevance.
- Focused on **key talent, scarce and critical skills in the context of our pan-African strategy** and the need for appropriate remuneration underpins to enable talent mobility.
- Made key appointments (including promotions) to **attract and retain top and diverse talent,** and to enable expansion into new markets.
- Evolved **fair and responsible remuneration** and related disclosure across all elements of our human capital value chain, aligned to the Group's strategy.
- Monitored the **emerging regulatory landscape** including the possible implications of the proposed amendments to the South African Companies Act.
- Reviewed developments globally regarding **control function remuneration** to ensure independence of control functions while retaining appropriate alignment with the role control functions play in the delivery of business results.
- Addressed remuneration competitiveness through **regular market benchmarking** of total remuneration and that of senior executives against industry peers, and ensuring appropriate market relativity of our reward offerings.

Operating environment and Group performance overview

Our external environment in 2023 was weaker than expected, particularly in South Africa where infrastructure challenges, high inflation and interest rates weighed on growth prospects. However, Africa regions reported stronger growth, well ahead of South Africa, despite sovereign challenges in some markets. As a result, our financial performance was lower than our expectation, but resilient within the context of this operating environment.

Salient features of our 2023 normalised financial performance:

- **Headline earnings** increased by 1% to R20.9 billion. The Group's net asset value increased by 8% to R142 billion resulting in ROE of 15.3% from 16.4%.
- **Returns remain above cost of equity (COE)**, but lower than our medium-term target of ROE sustainably above 17%.
- The **cost-to-income ratio** increased slightly to 52.1% and remains within our medium-term target of low 50s.
- **Pre-provision profits** increased by 6% to R50.1 billion reflecting revenue growth of 8% to R104.5 billion while operating costs increased by 10% to R54.5 billion.
- **Credit impairments** reflect strain on the South African consumer segment and increased by 13% to R15.5 billion. This resulted in the credit loss ratio increasing to above the top-end of the through-the-cycle range of 75-100bps to end the year on 118bps.
- The **capital and liquidity position** of the Group remains strong with Common Equity Tier 1 (CET1) at 12.5% (upper-end of Board target range of 11%-12.5%) with liquidity ratios well above regulatory requirements.

Further detail regarding the Group's performance and its medium-term outlook are set out in our *Annual Financial Statements* and in this Report in *Outlook*.

Rewarding value creation continued

2023 Short-term incentive outcomes

Our on-target short-term incentive pool is built on a top-down basis, which includes reference to a pay-out ratio relative to our headline earnings after taxation and before incentives.

RemCo approved a Group performance short-term incentive pool of **R3.56 billion,** reflecting the Group's performance relative to the RemCo-approved scorecard. This is **91%** of the approved on-target pool of **R3.94 billion.** This represents a **3% year-on-year decrease in the pool,** aligned with the Group's overall performance for 2023, and to our normalised headline earnings growth of 1%. This is considered a fair and balanced outcome in the context of a challenging operating environment.

Prior to 2023, RemCo did extensive work on the Group's short-term incentives, including reviewing the competitiveness of the on-target short-term incentive pool relative to market. While our pay-out ratio of the short-term incentive pool relative to headline earnings remains at the lower end of the market, RemCo is comfortable that this is at the right level in the context of our current absolute and relative performance.

The table below sets out an overview of the Group's financial and non-financial performance relative to the target outcomes used in the determination of the 2023 short-term incentive pool, with further detail within our *Implementation Report*:

Measure	Weight	Target	Actual 2023 performance	Weighted modifier
Headline earnings	30%	R23.4bn	**R21.1bn**	24.9%
ROE	30%	17.0%	**15.5%**	25.7%
Capital lite revenues (in constant currency)	10%	R61.5bn	**R61.4bn**	10.0%
Cost-to-income ratio	10%	52.2%	**51.9%**	10.3%
Organisational Health (see below)	20%	8.0/10	**8.0/10**	20.0%
Weighted outcome				**91.0%**

All achieved measures are shown on a normalised basis adjusted for the B-BBEE costs to align with the basis on which the targets were set. Note that the actual 2023 performance outcomes in the above table are therefore not consistent with the 2023 performance results discussed elsewhere in our 2023 Reporting Suite.

The Social, Sustainability and Ethics Committee (SSEC) assesses the outcomes relative to the non-financial targets. Organisational Health was assessed as on-target (8.0/10), giving rise to a 20% outcome for this metric. In this regard:

Measure	Weight	2023 Score	Highlights
Customer and Digital	5%	8.00/10	• Transactional customer numbers, customer primacy (for CIB), and customer satisfaction reflect strong progress on prior year and above target. • Strong progress made in respect of Digitally Active Customers, largely in line with target.
Colleague	5%	8.50/10	• Strong colleague value proposition, as indicated by improvement in our Employee Engagement Index, our employment equity score, and percentage of Women in Leadership.
Sustainability	10%	7.75/10	• CIB and Relationship Banking met or exceeded sustainability-linked financing targets; the slowdown in affordable housing production impacted delivery. • Absa continues to perform well in the external ESG benchmark ratings.
Total	**20%**	**8.00/10**	**20% vesting outcome on Organisational Health, relative to an on-target outcome at this level.**

The RemCo supports the view that organisational health is a good predictor of future organisational performance, and as such continues, in conjunction with the SSEC, to focus on this as a core component of our short-term incentive scorecard.

In approving the final short-term incentive performance pool outcome of **R3.56 billion**, RemCo considered:

- The Group's position, which is at the lower end of peer outcomes based on publicly available information. The RemCo considered this outcome, and the context reflected in this result including the impact of Ghana hyper-inflation and the effect of the structural hedge which dampened earnings and returns in the near term.
- Application of oversight in ensuring that remuneration outcomes for Group Executive Committee (ExCo) members and individuals within the RemCo remit reflected Group and individual performance outcomes. The 2023 pool for the disclosed officers (for individuals included in the disclosures in both 2022 and 2023) was down 25% relative to 2022, reflecting alignment with performance.
- Vertical fairness of the pool distribution. In this regard, the share of the pool allocated to more junior colleagues remained stable at 15% in 2023, and in line with the fair and responsible remuneration shift made in this regard in 2022.
- The returns experienced by shareholders.

Through a process of robust discussion, RemCo is comfortable that the 2023 short-term incentive outcomes are fair and balanced, reflecting accountability for performance, fair and responsible remuneration, and shareholder value creation.

Rewarding value creation continued

Vesting outcomes for the 2021 long-term incentive award

Our 2021 long-term incentive will vest in April 2024 at **93.9%** of the on-target award, based on performance against the applicable Group performance metrics.

The performance metrics for the 2021 long-term incentive were approved within the highly challenging and uncertain operating context of the Covid-19 pandemic. The metrics chosen reflect the Group's key priorities at the time, which were preservation of capital, delivering shareholder returns, managing costs and protecting the organisational health (comprised of customer, colleague and control) of the Group.

RemCo has reflected on the performance against these metrics, and is comfortable that these included the right degree of stretch in what was a very challenging operating context, and that most of the key targets were achieved.

The table below provides an overview of the outcomes of the performance metrics set for the 2021 – 2023 performance period, with further detail within our *Implementation Report*:

Measures	Weighting	Threshold (15%) adjustment to target	Target (100%)	Stretch (150%) adjustment to target	Achievement	% achievement	Weighted achievement
Normalised ROE (for the period ended 31 December 2023)	20%	≥ COE -1%	≥ COE	≥ COE +2%	15.5%	123.8%	24.8%
IFRS CET1 (as reported at 31 December 2023)	20%	CET1 ≥ 11.0%	CET1 ≥ 11.75%	CET1 ≥ 12.5%	12.49%	149.3%	29.9%
Normalised cost-to-income ratio (as reported at 31 December 2023)	20%	≤ 55.0%	≤ 52.5%	≤ 50.0%	51.9%	112.5%	22.5%
TSR (1 January 2021 – 31 December 2023)	20%	Absa TSR < 5% lower	TSR ≥ Average peer group	Absa TSR > 10% higher	59.7%	0.0%	0.0%
Organisational Health	20%	6/10	8/10	10/10	7.615/10	83.6%	16.7%
					Total outcome:		**93.9%**

All achieved measures are shown on a normalised basis adjusted for the B-BBEE costs to align with the basis on which the targets were set.

Rewarding value creation continued

Our Organisational Health outcome was assessed by the SSEC as marginally below target (7.615/10), resulting in a vesting outcome for this metric at 16.7% relative to a target of 20%. In this regard:

Measure		Weight	2023 Score	Highlights
Customer, Colleague and Control	Customer	**10%**	**7.00/10**	• While there has been improvement in customer numbers, customer primacy in CIB, and product holding metrics, the overall outcomes fell short of the anticipated three-year performance.
	Colleague		**8.00/10**	• Strong improvement in the Employee Experience Index over the period, supported by the launch of the Absa eKhaya Colleague Share Scheme.
	Control		**7.67/10**	• The Control Environment was measured over each of the three performance years. While the second and third year achieved target, the first year's outcome was below target.
Sustainability	Digital transformation	**10%**	**6.50/10**	• The Group has delivered increasing levels of digital adoption and improved system sustainability, however, performance targets were not fully achieved, in particular in ARO RBB.
	Transformation, Diversity and Inclusion		**8.00/10**	• The Group has maintained a Level 1 Broad-Based Black Economic Empowerment (B-BBEE) rating, consistently throughout the performance period.
	Environmental sustainability		**8.50/10**	• Our loan exposure in climate-sensitive sectors was better than target at the end of the performance period. • CIB lending was ahead of cumulative financing targets set since 2021. • Energy consumption and carbon emission outcomes for Absa were on-track over the performance period.
Total		**20%**	**7.615/10**	**16.7% vesting outcome on Organisational Health, marginally below the on-target outcome at this level.**

An independent auditor provided a factual findings report to RemCo on the metrics' outcomes.

Rewarding value creation continued

Our 2024 long-term incentives

RemCo approved the performance metrics and targets for the 2024 long-term incentives in the context of the Board-approved strategy and plan. The metrics include a combination of financial and non-financial targets, which are:

2024 long-term incentive

Number of shares awarded	✖	Performance share modifier	=	Number of shares vesting
April 2024		Performance period: 1 January 2024 – 31 December 2026		April 2027

Measures	Weight	Outcomes		
		Threshold (15%)	Target (100% = Medium Term Plan)	Stretch (150%)
ROE (Average over the period 2024 - 2026)	35%	≥ COE	≥ COE +2.5%	≥ COE +5%
Headline earnings per share (HEPS) (Compound annual growth rate for 2024 – 2026 in constant currency)	35%	≥ SA nominal[1] GDP +2.5%	≥ SA nominal[1] GDP +8.5%	≥ SA nominal[1] GDP +13.5%
TSR (TSR peer group consists of six major SA banks including Absa, weighted by market capitalisation)	10%	N/A	TSR ≥ Average peer group	Absa TSR ≥ 10% higher
Organisational Health (Consisting of customer and digital, colleague and sustainability)	20%	6/10	8/10	10/10

The outcome may by subject to possible modification (neutral to downward) based on an assessment of the Control Environment

[1] Nominal GDP = Real Gross Domestic Product (GDP) + Inflation.

In approving the Group performance targets for the 2024 long-term incentive awards, we considered the following:

- Alignment of target measures and metrics with the core priorities set out in our 2024 – 2026 medium-term plan.
- For 2024, RemCo has strengthened the threshold for financial performance metrics in the scorecard to at least the prior period's outcome.
- Impact of possible overlap in the short-term incentive and long-term incentive scorecards, and reviewed the measures accordingly. This led to the removal of the cost-to-income ratio from the long-term incentive scorecard, which is now based on four key measures.
- A greater weighting has been applied to ROE and HEPS in the 2024 award to further emphasise the strong link between these measures and shareholder value creation. 70% of the vesting outcome will be determined, in equal parts, based on the outcomes of these two measures.
- For TSR, the 2024 long-term incentive scorecard results in no vesting if TSR is lower than the peer average. An "on-target" outcome will apply where Absa is in line with the peer average.
- For Organisational Health, measured over the performance period, sub-weightings of 5% apply to each of the customer and digital, and colleague scorecard measures, and a 10% weighting applies to the sustainability scorecard measures. The Organisational Health measures include:
  - Customer and digital based on customer numbers at the end of the performance period, tracked relative to the annual balanced scorecard against progress of interim milestones that deliver our medium-term ambition.
  - Colleague based on our Employee Engagement Index.
  - Sustainability measured relative to our sustainable financing targets, reduction in Scope 1 and 2 carbon emissions, and progress on Scope 3 financed emissions glidepath.
- The outcome may be subject to possible modification (neutral to downward) based on an assessment of the Control Environment.

Rewarding value creation continued

Fair and responsible remuneration

Fair and responsible remuneration remained a core focus for the Group in 2023, building on the actions taken in 2022. Our implementation outcomes continue to reflect ongoing conscious decisions to strengthen fair pay by investing in the more junior levels of the organisation and addressing pay differentials where applicable. This ensures that our overall remuneration offering, including our employee benefit suite, is appropriate, sustainable and fair.

- Again in our fixed remuneration increases, more junior colleagues in most instances received higher percentage increases on average than management.
- More junior colleagues continue to share appropriately in the short-term incentive pool, after enhancements made in this regard in 2022. The share of the pool allocated to more junior colleagues in 2023 remained stable at 15% of the pool, notwithstanding the overall reduction in the pool.
- Working with the SSEC, ensuring fair and responsible outcomes at each stage of the human capital value chain, including recruitment, appointment, promotions, performance management and remuneration, to ensure a solid and sustainable foundation for fair and responsible remuneration.
- Reviewing and addressing pay differentials across race, gender and role remains a key focus in our remuneration processes.
- We enhanced our pay differential disclosures in the context of the evolving regulatory environment, to include the highest and lowest paid employee, the ratio between the highest-paid 5% of employees and the lowest-paid 5%, and the average and median total remuneration. This is set out within our *Implementation Report*.
  - This is the first year in which we make these disclosures, and we will continue to look for ways to evolve and improve these.
  - In future, this will also be viewed in the context of the emerging regulatory requirements around remuneration disclosure and the emergence of industry benchmarks in this regard.
  - Our disclosures include only our South African employee population with a full year of service in 2023, due to differences in market conditions and remuneration rates, and effects of exchange rates across all our jurisdictions.

Absa eKhaya Colleague Share Scheme

The B-BBEE share scheme for employees (the Absa eKhaya Colleague Share Scheme) was launched on 1 September 2023. The Absa eKhaya Colleague Share Scheme will provide employees in South Africa with an equity ownership interest in Absa Group. Employees in participating ARO and other international operations entities have been given the opportunity to participate, subject to local entity circumstances and approvals, in the eKhaya Colleague Phantom Share Scheme, which is the cash equivalent of that implemented in South Africa.

The B-BBEE scheme was formulated to, among others:

- Empower and enable opportunities for our employees and communities.
- Drive transformation, socioeconomic development and community upliftment.
- Be an active force for good.
- Recognise the valued role that all employees play in the Group's success.
- Help employees share in the Group's growth.

Executive transitions

Jason Quinn resigned from the Group on 21 November 2023 and ceased to be an executive director on 22 November 2023. In March 2022, as part of the transitional arrangements to the new Group Chief Executive, and aligned with the commercial imperative to ensure continuity and stability at senior executive level, the Board entered into a retention agreement with Jason upon his return to the Group Financial Director role. In terms of this retention arrangement, and subsequent exit terms, he forfeited 50% of all outstanding deferred short-term incentive awards and 100% of all long-term incentive awards on the date of notice of his resignation. The awards subject to eligible leaver status will remain in the Share Incentive Plan and will vest on their normal vesting dates.

The Group appreciates the contribution made by Jason during his time with the organisation.

Chris Snyman was appointed as Interim Group Financial Director and an executive director on 22 November 2023. His fixed remuneration was not adjusted pursuant to his interim appointment.

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.

Rewarding value creation continued

Access to information and advisers

Members of 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 remuneration framework, local and international market practices, control function remuneration, and executive remuneration. The advice provided to 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, Willis Towers Watson, Vasdex Associates, Mercer, and KornFerry.

Several enabling and control functions within the Group, including Group Human Capital, Group Finance, Risk, Compliance and Internal Audit, provide supporting information and documentation to RemCo. 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.

Changes in RemCo membership

Alex Darko stepped down from RemCo at the 2023 AGM, consequent to his retirement from the Board. We are grateful to Alex for his contribution to RemCo over the past several years, including as RemCo Chairman.

Peter Mageza joined RemCo on 1 August 2023. Peter is a seasoned senior executive and we are already benefitting from his contribution.

Conclusion

Our 2023 remuneration implementation decisions represent a fair and balanced outcome based on the Group's absolute and relative performance, are appropriately aligned with shareholder and stakeholder interests over the long-term, and are sustainable.

Building on the work done in 2023, RemCo will focus on the following in 2024:

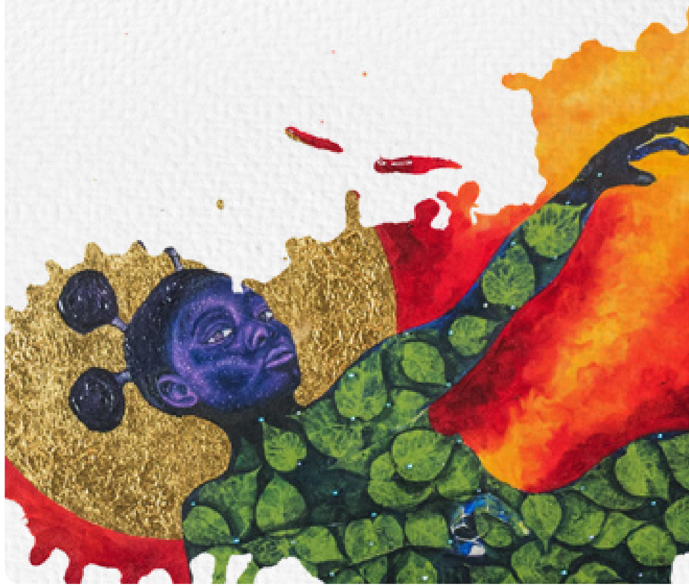
- Ongoing shareholder engagement.
- Group and executive short-term and long-term incentive scorecards, aligned to the Board-approved short-term and medium-term plans.
- Key talent, scarce and critical skills and talent mobility, supporting our pan-African strategy.
- Ensuring appropriate remuneration mix at all levels, including evolving control function remuneration.
- Fair and responsible remuneration and our disclosures in this regard.
- Dealing with changes in the regulatory environment and their implications.

I appreciate the continued efforts of RemCo to oversee our remuneration framework, and make remuneration implementation decisions in the context of the delivery of the Group's strategic ambitions, and aligned with the interests of our stakeholders. 2023 presented a number of challenges for RemCo, and we have maintained the critical focus of balancing the interests of stakeholders over time to ensure the Group's sustained success and resilience in a dynamic and uncertain operating environment.

Rose Keanly

Chairman: Absa Group Remuneration Committee

"2023 presented a number of challenges for RemCo, and we have maintained the critical focus of balancing the interests of stakeholders over time to ensure the Group's sustained success and resilience in a dynamic and uncertain operating environment."



Rewarding value creation continued

Directors' and prescribed officers' remuneration

Combined tables for 2023 total remuneration

Executive directors Awarded remuneration	Arrie Rautenbach 2023 R	 2022 R	Jason Quinn 2023 R	 2022 R	Christopher Snyman 2023 R	 2022 R	Total 2023 R	 2022 R
Salary	**9 794 398**	8 689 014	**5 853 292**	6 098 485	**357 333**	–	**16 005 023**	14 787 499
Medical aid	**180 960**	167 556	**119 494**	123 804	**12 691**	–	**313 145**	291 360
Retirement benefits	**189 634**	185 596	**444 457**	462 660	**21 524**	–	**655 615**	648 256
Other employee benefits	**269 994**	232 918	**69 424**	67 380	**4 286**	–	**343 704**	300 298
Total fixed remuneration	**10 434 986**	9 275 084	**6 486 667**	6 752 329	**395 834**	–	**17 317 487**	16 027 413
Non-deferred cash award	**6 800 000**	9 750 000	**–**	8 000 000	**2 625 000**	–	**9 425 000**	17 750 000
Deferred share award	**5 800 000**	8 750 000	**–**	7 000 000	**1 625 000**	–	**7 425 000**	15 750 000
Total short-term incentive	**12 600 000**	18 500 000	**–**	15 000 000	**4 250 000**	–	**16 850 000**	33 500 000
Face value of long-term incentive award (on-target award)	**17 000 000**	17 000 000	**–**	13 000 000	**5 000 000**	–	**22 000 000**	30 000 000
Total awarded remuneration	**40 034 986**	44 775 084	**6 486 667**	34 752 329	**9 645 834**	–	**56 167 487**	79 527 413

The non-deferred cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2023 and March 2024 in respect of prior year performance.

The deferred share award 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 R1 million. Deferred awards were granted in April 2023 for the 2022 short-term incentive award, and will be granted in April 2024 for 2023 performance.

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).

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 value applicable for 'on-target' performance.

Total awarded remuneration for 2023 includes the fixed remuneration paid during 2023, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2024 and a deferred share award granted in April 2024), and the face value of the long-term incentive to be granted in April 2024. Amounts disclosed in 2022 follow the same principle.

Jason Quinn ceased to be the Group Financial Director and executive director on 22 November 2023. His disclosed remuneration has therefore been pro-rated for time in service as an executive director during 2023.

Christopher Snyman was appointed as Interim Group Financial Director and an executive director on 22 November 2023. His disclosed fixed remuneration has therefore been pro-rated for time in service as an executive director during 2023. His short-term and long-term incentive awards have been disclosed in full. His fixed remuneration was not adjusted pursuant to his interim appointment.

Rewarding value creation continued

Directors' and prescribed officers' remuneration

Combined tables for 2023 total remuneration

Executive directors **Single-figure remuneration**	Arrie Rautenbach 2023 R	Arrie Rautenbach 2022 R	Jason Quinn 2023 R	Jason Quinn 2022 R	Christopher Snyman 2023 R	Christopher Snyman 2022 R	Total 2023 R	Total 2022 R
Salary	**9 794 398**	8 689 014	**5 853 292**	6 098 485	**357 333**	–	**16 005 023**	14 787 499
Medical Aid	**180 960**	167 556	**119 494**	123 804	**12 691**	–	**313 145**	291 360
Retirement benefits	**189 634**	185 596	**444 457**	462 660	**21 524**	–	**655 615**	648 256
Other employee benefits	**269 994**	232 918	**69 424**	67 380	**4 286**	–	**343 704**	300 298
Total fixed remuneration	**10 434 986**	9 275 084	**6 486 667**	6 752 329	**395 834**	–	**17 317 487**	16 027 413
Non-deferred cash award	**6 800 000**	9 750 000	**–**	8 000 000	**2 625 000**	–	**9 425 000**	17 750 000
Deferred share award	**5 800 000**	8 750 000	**–**	7 000 000	**1 625 000**	–	**7 425 000**	15 750 000
Total short-term incentives	**12 600 000**	18 500 000	**–**	15 000 000	**4 250 000**	–	**16 850 000**	33 500 000
Value of vested long-term incentives	**12 363 996**	17 306 932	**–**	17 306 932	**3 980 521**	–	**16 344 517**	34 613 864
Dividend equivalents	**2 153 225**	975 639	**2 225 695**	1 113 502	**858 205**	–	**5 237 125**	2 089 141
Total long-term incentives	**14 517 221**	18 282 571	**2 225 695**	18 420 434	**4 838 726**	–	**21 581 642**	36 703 005
Total single figure remuneration	**37 552 207**	46 057 655	**8 712 362**	40 172 763	**9 484 560**	–	**55 749 129**	86 230 418

The non-deferred cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2023 and March 2024 in respect of prior year performance.

The deferred share award 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 R1 million. Deferred awards were granted in April 2023 for the 2022 short-term incentive award, and will be granted in April 2024 for 2023.

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).

The 2021 long-term incentive, which vests in respect of the performance period ending 31 December 2023, is included in the 2023 single-figure remuneration for executive directors and prescribed officers. The actual value of the vesting to accrue to Arrie Rautenbach will be based on the share price on the vesting date (in equal tranches on April 2024, 2025, and 2026) 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 2023 and 2022 disclosures, values are reported using the 31 December share price for the respective years, adjusted for the performance target outcomes as at the publication date of the Annual Financial Statements was before the vesting date in each instance.

Total single figure remuneration includes, for each year respectively, the fixed remuneration paid during 2022 and 2023, short-term incentives in respect of 2022 and 2023 performance (consisting of a cash award paid in March 2023 and March 2024, and a deferred share award granted in April 2023 and April 2024), long-term incentive awards (consisting of the full value of vested long-term incentives, notwithstanding that this is released in three vesting tranches in 2024, 2025 and 2026, and dividend equivalents/service credits received on the vesting dates) and payments reflected as 'Other Payments'.

Jason Quinn ceased to be the Group Financial Director and executive director on 22 November 2023. His disclosed fixed remuneration has therefore been pro-rated for time in service as an executive director during 2023. He forfeited his 2021 long-term incentive award pursuant to his resignation from the Group. Dividend equivalents reported for 2023 are in respect of awards vesting in the year, as set out in the Outstanding Share-Based Long-Term Incentives tables.

Christopher Snyman was appointed as Interim Group Financial Director and executive director on 22 November 2023. His disclosed fixed remuneration has therefore been pro-rated for time in service as an executive director during 2023. His short-term and long-term incentive awards have been disclosed in full and his fixed remuneration has not been adjusted pursuant to his interim appointment. His 2021 long-term incentive will vest in April 2024.

Rewarding value creation continued

Directors' and prescribed officers' remuneration

Combined tables for 2023 total remuneration

	Charles Russon		Punki Modise		Faisal Mkhize		Cowyk Fox		Geoffrey Lee		Saviour Chibiya		Total	
Prescribed officers **Awarded remuneration**	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R
Salary	**6 142 498**	5 763 388		1 624 045	**5 150 753**	2 543 235	**5 055 165**	2 478 656	**5 251 388**	2 652 901	**4 067 915**	2 040 976	**25 667 719**	17 103 201
Medical aid	**226 272**	209 508		108 194	**124 676**	55 710	**101 840**	104 754	**237 456**	94 266	**101 941**	116 879	**792 185**	689 311
Retirement benefits	**197 595**	192 301		137 037	**393 982**	196 991	**199 537**	99 769	**199 537**	107 639	**383 281**	–	**1 373 932**	733 737
Other employee benefits	**71 135**	62 132		181 193	**345 933**	79 064	**392 859**	293 380	**61 619**	19 664	**681 465**	258 000	**1 553 011**	893 433
Total fixed remuneration	**6 637 500**	6 227 329		2 050 469	**6 015 344**	2 875 000	**5 749 401**	2 976 559	**5 750 000**	2 874 470	**5 234 602**	2 415 855	**29 386 847**	19 419 682
Non-deferred cash award	**7 000 000**	7 500 000		3 500 000	**2 875 000**	4 000 000	**2 516 000**	4 000 000	**3 139 250**	4 000 000	**3 250 000**	4 000 000	**18 780 250**	27 000 000
Deferred share award	**6 000 000**	6 500 000		2 500 000	**1 875 000**	3 000 000	**1 516 000**	3 000 000	**2 139 250**	3 000 000	**2 250 000**	3 000 000	**13 780 250**	21 000 000
Total short-term incentive	**13 000 000**	14 000 000		6 000 000	**4 750 000**	7 000 000	**4 032 000**	7 000 000	**5 278 500**	7 000 000	**5 500 000**	7 000 000	**32 560 500**	48 000 000
Face value of long-term incentive award (on-target award)	**12 000 000**	11 000 000		8 000 000	**7 500 000**	8 500 000	**4 500 000**	8 500 000	**9 500 000**	8 500 000	**4 500 000**	8 500 000	**38 000 000**	53 000 000
Other payments	**–**	–		–	**–**	–	**–**	–	**–**	–	**773 373**	481 291	**773 373**	481 291
Total awarded remuneration	**31 637 500**	31 227 329		16 050 469	**18 265 344**	18 375 000	**14 281 401**	18 476 559	**20 528 500**	18 374 470	**16 007 975**	18 397 146	**100 720 720**	120 900 973

The non-deferred cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2023 and March 2024 in respect of prior year performance.

The deferred share award 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 R1 million. Deferred awards were granted in April 2023 for the 2022 short-term incentive award, and will be granted in April 2024 for 2023 performance.

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).

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 value applicable for 'on-target' performance.

Total awarded remuneration for 2023 includes the fixed remuneration paid during 2023, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2024 and a deferred share award granted in April 2024), and the face value of the long-term incentive to be granted in April 2024. Amounts disclosed in 2022 follow the same principle.

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 are all set out in this table for ease of reference. Her fixed remuneration was pro-rated for the period served as an executive director and a prescribed officer during 2022, with the short-term incentive and long-term incentive shown at full value.

As a result of the Board-approved changes to the Group operating model, four new prescribed officers (Faisal Mkhize, Cowyk Fox, Geoffrey Lee, and Saviour Chibiya) were appointed on 1 July 2022. Their fixed remuneration for 2022 was pro-rated from appointment date, with short-term incentives and long-term incentives shown at full value.

Saviour Chibiya's expatriate benefits have been included under 'Other payments'.

Rewarding value creation continued

Directors' and prescribed officers' remuneration

Combined tables for 2023 total remuneration

	Charles Russon		Punki Modise		Faisal Mkhize		Cowyk Fox		Geoffrey Lee		Saviour Chibiya		Total	
Prescribed officers **Single-figure remuneration**	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R	**2023** **R**	2022 R
Salary	**6 142 498**	5 763 388	**–**	1 624 045	**5 150 753**	2 543 235	**5 055 165**	2 478 656	**5 251 388**	2 652 901	**4 067 915**	2 040 976	**25 667 719**	17 103 201
Medical Aid	**226 272**	209 508	**–**	108 194	**124 676**	55 710	**101 840**	104 754	**237 456**	94 266	**101 941**	116 879	**792 185**	689 311
Retirement benefits	**197 595**	192 301	**–**	137 037	**393 982**	196 991	**199 537**	99 769	**199 537**	107 639	**383 281**	–	**1 373 932**	733 737
Other employee benefits	**71 135**	62 132	**–**	181 193	**345 933**	79 064	**392 859**	293 380	**61 619**	19 664	**681 465**	258 000	**1 553 011**	893 433
Total fixed remuneration	**6 637 500**	6 227 329	**–**	2 050 469	**6 015 344**	2 875 000	**5 749 401**	2 976 559	**5 750 000**	2 874 470	**5 234 602**	2 415 855	**29 386 847**	19 419 682
Non-deferred cash award	**7 000 000**	7 500 000	**–**	3 500 000	**2 875 000**	4 000 000	**2 516 000**	4 000 000	**3 139 250**	4 000 000	**3 250 000**	4 000 000	**18 780 250**	27 000 000
Deferred share award	**6 000 000**	6 500 000	**–**	2 500 000	**1 875 000**	3 000 000	**1 516 000**	3 000 000	**2 139 250**	3 000 000	**2 250 000**	3 000 000	**13 780 250**	21 000 000
Total short-term incentives	**13 000 000**	14 000 000	**–**	6 000 000	**4 750 000**	7 000 000	**4 032 000**	7 000 000	**5 278 500**	7 000 000	**5 500 000**	7 000 000	**32 560 500**	48 000 000
Value of vested long-term incentives	**8 443 581**	13 196 640	**–**	4 326 685	**4 101 194**	4 687 339	**4 583 579**	5 365 213	**4 101 194**	4 687 339	**4 704 252**	3 210 402	**25 933 800**	35 473 618
Dividend equivalents received on vesting	**1 663 701**	800 410	**–**	286 851	**976 903**	323 895	**1 112 769**	412 308	**1 003 670**	368 333	**716 432**	310 205	**5 473 475**	2 502 002
Total long-term incentives	**10 107 282**	13 997 050	**–**	4 613 536	**5 078 097**	5 011 234	**5 696 348**	5 777 521	**5 104 864**	5 055 672	**5 420 684**	3 520 607	**31 407 275**	37 975 620
Other payments	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**773 373**	481 291	**773 373**	481 291
Total single figure remuneration	**29 744 782**	34 224 379	**–**	12 664 005	**15 843 441**	14 886 234	**15 477 749**	15 754 080	**16 133 364**	14 930 142	**16 928 659**	13 417 753	**94 127 995**	105 876 593

The non-deferred cash award is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2023 and March 2024 in respect of prior year performance.

The deferred share award 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 R1 million. Deferred awards were granted in April 2023 for the 2022 short-term incentive award, and will be granted in April 2024 for 2023 performance.

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).

The 2021 long-term incentive, which vests in respect of the performance period ending 31 December 2023, is included in the 2023 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 in April 2024, 2025 and 2026 for Charles Russon, and April 2024 for Faisal Mkhize, Cowyk Fox, Geoffrey 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 2023 and 2022 disclosures, 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.

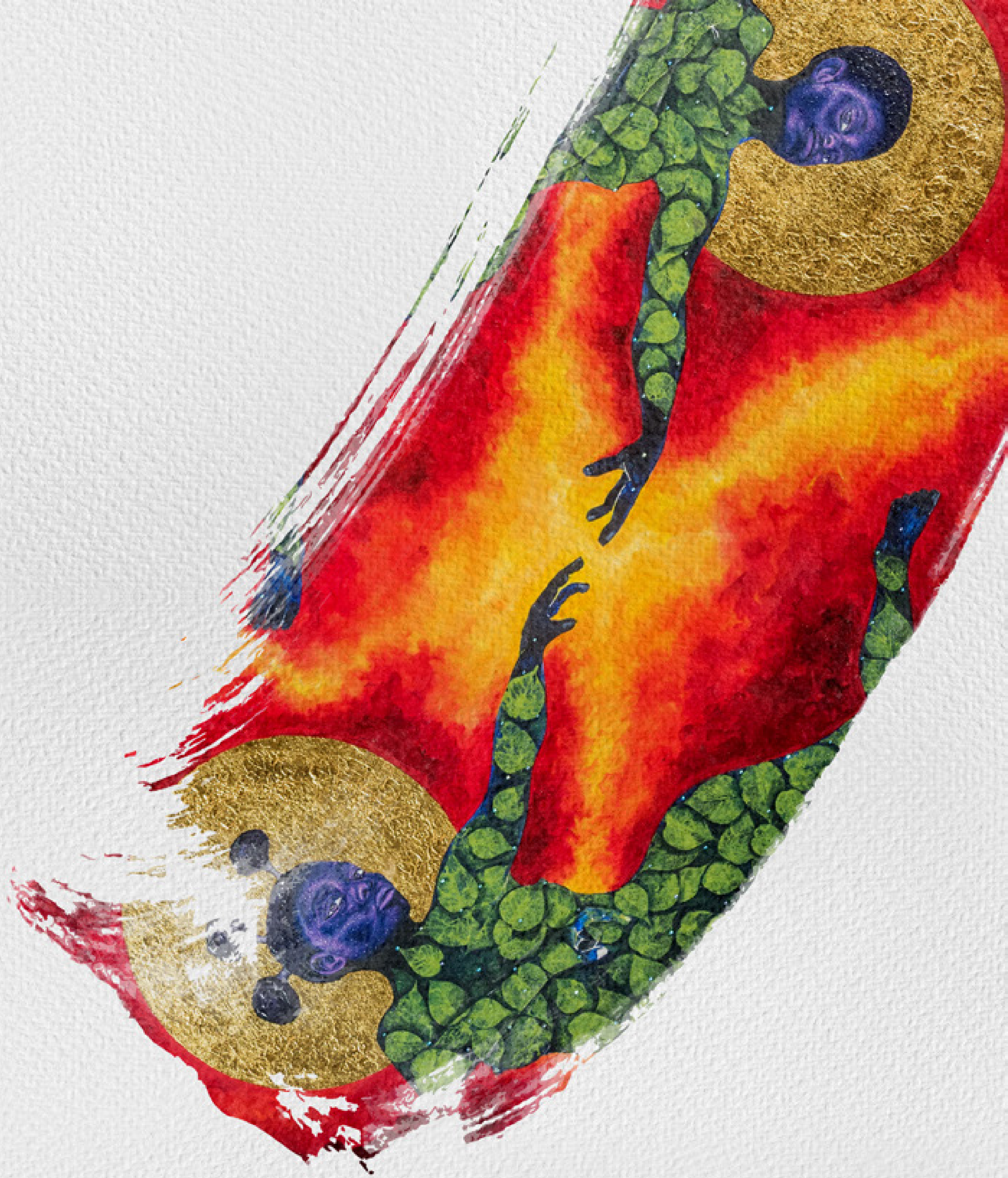
Total single figure remuneration includes, for each year respectively, the fixed remuneration paid during 2022 and 2023, short-term incentives in respect of 2022 and 2022 performance (consisting of a cash award paid in March 2023 and March 2024, and a deferred share award granted in April 2023 and April 2024), long-term incentive awards (consisting of the value of vested long-term incentives and dividend equivalents received) and payments reflected as 'Other Payments'. See below regarding the proration of fixed remuneration for individuals who were not in their roles for the full year.

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 are all set out in this table for ease of reference. Her fixed remuneration was pro-rated for the period served as an executive director and a prescribed officer during 2022. The short-term incentive, the vesting value of her 2020 long-term incentive, and dividend equivalents and service credits were shown at full value.

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 for 2022 was pro-rated from appointment date. Their short-term incentives, the vesting value of their 2020 and 2021 long-term incentives, and dividend equivalents and service credits are shown at full value.

Saviour Chibiya's expatriate benefits have been included under 'Other payments'.

Supplementary information



Basis of preparation and presentation

Our Integrated Report describes its basis of preparation and presentation.

Frameworks

This Integrated Report is prepared using the IFRS Foundation's Integrated Reporting Framework 2021 and the King IV Report on Corporate Governance.

Restatements and reporting methodologies

Changes to reportable segments and business portfolios

There were no changes to reportable segments and business portfolios in the current year. However, some income and expense line items have been reallocated between business units to better present the performance of those units, affecting related asset/liability line items. These adjustments resulted in the restatement of the business units' financial results for the comparative period but has had no impact on the overall financial position or net earnings of the Group.

Correction of prior period errors

The prior years' statements of financial positions and statements of cash flow were adjusted for several matters, and we refer readers to Note 16.1 in the *Financial Results Booklet* for a comprehensive understanding of such corrections. The above restatements have no impact on the statement of comprehensive income, statement of changes in equity or any performance or prudential ratios.

Adoption of new IFRS standards

The Group adopted IFRS 17, which requires retrospective application. The Group has early adopted the revisions to IAS 21: The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability) from 1 January 2023 For a comprehensive understanding of the impact of IFRS 17 and IAS 21, refer to Reporting changes in the *Financial Results Booklet*.

Metric methodologies

Total procurement spend methodology

Total procurement spend for the Group (R25.5 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 (R18.3 billion) is derived from an IFRS financial value added statement reporting methodology.

Digitally active clients

Metrics for 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 12 months, 90 or 30 days depending on the individual business segments preferred reporting methodology. The totals provided here do not adjust for the different methodologies.

Group sustainability-linked financing

The definition for Group sustainability-linked financing, as measured in quarterly business reviews, was expanded to track and monitor a broader range of Absa products related to environmental and social initiatives. Prior periods were restated to reflect new definitions for a three-year period only. On the value over time table it was further split into its climate and financial inclusion components. As sustainability practices evolve globally, the Group adapts the methodology in how we measure sustainability-linked finances.

Sustainability-linked finance – RB

RB has changed their methodology resulting in a restatement of prior year numbers to exclude enterprise development and only focus on renewable finance.

Sustainability-linked finance – EB

Sustainability- linked finance reflects student loan production, a subset of personal loans production. Personal loan production represents the total value of all new personal loan agreements entered into within a financial period. Student loans are extended to customers, in line with the Bank's established lending principles, to fund tertiary educational expenses.

TCF

As from 1 January 2023, the TCF ARO scoring is weighted based on revenue per country. Prior year scoring was based on equal contributions and have not been restated.

PoS

The South African methodology for PoS differs from the ARO methodology, as it excludes SoftPOS solutions. This did not have an impact on prior year numbers.

Normalised financial results

The Integrated Report is prepared using normalised results, except where otherwise stated. Given the process of separating from Barclays PLC, the 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. As previously reported, the Group intends to stop issuing normalised financial results from the 2024 financial year as the impact is expected to be immaterial.

Reporting period and forward-looking statements

This report covers the period from 1 January 2023 to 31 December 2023. Notable or material events after 31 December 2023 and until the approval of this report on 20 March 2024 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

Basis of preparation and presentation continued

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 to integrated reporting

Our reporting process[LA]

We follow a formally documented, end-to-end integrated reporting process, tracked using a digital project management application. The process is audited by our Group Financial Control (first line of defence), 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 expanding our assurance scope as described alongside.

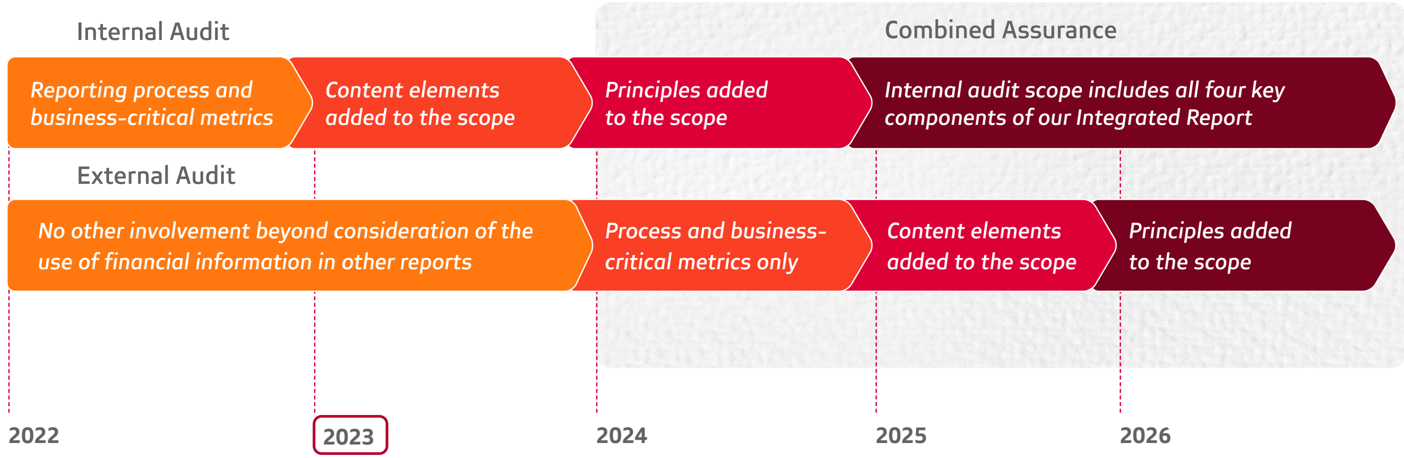
Our assurance process

Last 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, supplying comfort to our providers of financial capital. 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 covers four key components of our Integrated Report:

- The integrated reporting process (described in the 'Process' section
- 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 Integrated Reporting Framework[2]) included in our Integrated Report
- Select principles contained in the IR Framework[3].

As part of year two (i.e., 2023), internal assurance was provided by Absa internal audit over the Group's 2023 Integrated Reporting process, selected performance metrics and qualitative information (see below).



[1] As approved by the Board for each specific year.
[2] Integrated Reporting Framework, IFRS.
[3] Globally, professional bodies are investigating assurance opportunities for integrated reporting. Areas of development include defining reporting criteria for certain principles to present 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).

Statement from our Group Chief Internal Auditor

Prabashni Naidoo
Group Chief Internal Auditor

Absa Group Internal Audit ("Absa IA") provided a reasonable assurance opinion on the selected key performance metrics as denoted by 'RA' in the *'value over time'* table on page 69 and a limited assurance conclusion on the selected information denoted by 'LA' as follows:

- key performance metrics in the *'value over time'* table pages 67 to 69
- key performance metrics in the *'economic value created and distributed'* section page 19
- active customers, active transactional customers, client primacy, TCF, customer and client experiences scores under *'the primary partner for our clients'* section pages 53 and 54
- retention of high-performing employees and absenteeism rate under the section *'a winning, talented and diverse team'* page 62
- *strategic framework*, page 31
- *strategic themes*, pages 33 to 36
- *resource allocation to strategic initiatives*, page 36
- *materiality determination process*, page 23
- *unpacking material matters*, pages 24 to 30
- managements description of the integrated reporting process under the *'basis of preparation and presentation'* section, page 107.

The information was prepared in accordance with the IFRS Foundation Integrated Reporting Framework (2021) <IR> Framework and management's defined reporting criteria which is available on request from *groupsec@absa.africa*.

Reasonable Assurance Opinion

Absa IA confirms that selected information as set out in *Table A* of the Subject Matter, for the year ended 31 December 2023 is prepared, in all material respects, in accordance with the reporting criteria.

Limited Assurance Conclusion

Based on procedures performed, Absa IA confirms the following in respect of the selected information as set out in *Table B* and *Table C* of the Subject Matter:

- Nothing has come to our attention that causes us to believe that the Integrated Report for the period ended 31 December 2023 is not prepared, in all material respects, in accordance with management's description of the reporting process.
- Nothing has come to our attention that causes us to believe that the selected key performance metrics disclosed in the Integrated Report for the year ended 31 December 2023 are not prepared and measured, in all material respects, in accordance with managements' defined reporting criteria.
- Nothing has come to our attention that causes us to believe that the selected information (specifically, 'Strategic framework'; 'Strategic themes'; 'Resource allocation to strategic initiatives'; 'Materiality determination process' and 'Unpacking material matters') disclosed in the Integrated Report for the year ended 31 December 2023 are not prepared and measured, in all material respects, in accordance with the <IR> Framework and where relevant supplemented by managements defined reporting criteria.

Absa Internal Audit's responsibility

Absa IA have conducted this engagement in line with our Methodology (including ethical requirements) as well as drawing on the principles from the International Standards on Assurance Engagements, ISAE 3000 (Revised). For this purpose, Absa IA partnered with a reputable international professional services firm in ensuring that the principles adopted are aligned with leading practices.

Absa IA's responsibility is to plan and perform this specific assurance engagement in a manner that allows us to obtain sufficient and appropriate evidence for our opinion and conclusions. We plan and perform the engagement to obtain specific assurance to assess whether the selected information referred to in the "*Subject Matter*" paragraph is free from material misstatement. We shall not be responsible for reporting on any events and transactions beyond the period covered by our engagement.

The procedures performed in a limited assurance engagement vary in nature and timing and are less in extent than for a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement.

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 AGL Integrated Report on issues deemed material to the short-, medium- and long-term value creation of the AGL. Accordingly, the Committee is responsible for:

- Reviewing management's reporting controls and procedures to ensure that reporting reflects the execution of AGL strategy and is integrated across all areas of the AGL's financial and ESG performance.
- Evaluating and providing guidance on the information contained in the Integrated Report.
- Approving recommendations from management on processes for combined assurance over the Integrated Report.
- Reviewing the summary findings raised from the assurance providers and management's responses; and
- Comparing and assessing content in the Integrated Report to ensure that no conflicts or differences arise when compared to the financial results.

Statement from our Group Chief Internal Auditor continued

Independence and quality control

Absa 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.

Absa 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.

AGL's external auditors conducted an assessment of the IA Function against International Standards on Auditing (ISA) 610 and confirmed that the work performed by internal audit was suitable for the purposes of external audit reliance. The International Standards for the Professional Practice of Internal Auditing and AGL's approved Audit Charter require the Absa IA function to be reviewed at least once every five years by a qualified, independent assessor or assessment team from outside the Group. This review was performed in 2023 by Ernst and Young (EY) with the overall assessment concluding that the activities of the Absa IA Function "Generally Conforms" to the Institute of Internal Auditors' (IIA) standards.

Inherent limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining, calculating, sampling and estimating such information. The absence of a significant body of established practice on which to draw on allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements. The precision of different measurement techniques may also vary. The nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. Furthermore, the non-financial information includes prospective information such as ambitions, strategy, plans, expectations, estimates and risk assessments. Inherent to this prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the non-financial information.

Board committee details

Board committee details reflect membership as at the date of publication.

The following legend and changes apply to this section.

ED	Executive director	IC	Independent Chairman	NED	Non-executive director	CIA	Chief Internal Auditor
ExCo	Executive Committee	LID	Lead independent director	INED	Independent Non-executive director	CCO	Chief Credit Officer

Directors' Affairs Committee (DAC)
Group Audit and Compliance Committee (GACC)
Group Risk and Capital Management Committee (GRCMC)
Remuneration Committee (RemCo)
Social, Sustainability and Ethics Committee (SSEC)
Information Technology Committee (ITC)
Board Finance Committee (BFC)
Group Credit Risk Committee (GCRC)
Models Committee (MC)

Changes in 2023 (ordered by date)

1 January 2023	Jeanett Modise – Joins RemCo and SSEC as an attendee (replacing Thabo Mashaba).
1 January 2023	Johnson Idesoh – Joins ITC as a member (replacing Wilhelm Krige).
1 January 2023	Sydney Mbhele – Joins SSEC as an attendee.
1 July 2023	Alpheus Mangale – Joins the Board and GRCMC and ITC as a member.
1 July 2023	Sello Moloko – Joins the BFC as a member.
1 July 2023	Swithin Munyantwali – Joins the GCRC as a member.
1 July 2023	Fulvio Tonelli – Joins the GACC as a member and steps down as a member of ITC.
1 August 2023	Peter Mageza – Joins the Board and GACC, ITC and RemCo as a member.
1 September 2023	Luisa Diogo – Joins the Board and BFC, GRCMC and SSEC as a member.
30 September 2023	Alex Darko – Retires from the Board and as a member of DAC, GACC, ITC and RemCo. He was the Chairman of ITC.
30 September 2023	Francis Okello – Retires from the Board and as a member of DAC and SSEC. He was the Chairman of SSEC.
1 October 2023	Ihron Rensburg – Appointed as SSEC Chairman and joins the DAC.
1 October 2023	Peter Mageza – Appointed as ITC Chairman and joins the DAC.
22 November 2023	Jason Quinn – Resigns from the Board (and all Board committees).
23 November 2023	Chris Snyman – Joins the Board and GRCMC, GCRC, ITC and MC as a member; and GACC, RemCo, BFC and DAC as an attendee. Appointed as MC Chairman with effect from February 2024.
1 December 2023	Alison Beck – Joins the Board, GACC and GRCMC as a member.
13 March 2024	Swithin Munyantwali – Resigns from the Board and all Board committees

Executive Committee (ExCo)

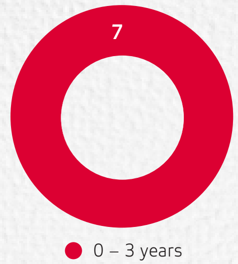
Arrie Rautenbach	Group Chief Executive Officer
Chris Snyman	Interim Group Financial Director
Punki Modise	Group Chief Strategy and Sustainability Officer
Charles Russon	Group Chief Executive: CIB
Cowyk Fox	Group Chief Executive: EB
Geoffrey Lee	Group Chief Executive: PSC
Faisal Mkhize	Group Chief Executive: RB
Saviour Chibiya	Group Chief Executive: ARO
Jeanett Modise	Group Chief People Officer
Johnson Idesoh	Group Chief Information and Technology Officer
Sydney Mbhele	Group Chief Brand, Marketing and Corporate Affairs Officer
Deon Raju	Group Chief Risk Officer
Akash Singh	Group Chief Compliance Officer
Prabashni Naidoo	Chief Internal Auditor (ex-officio attendee)

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.

Member	Designation
Ihron Rensburg	INED
Nhlanhla Mjoli-Mncube	LID
Peter Mageza	INED
René van Wyk	INED
Rose Keanly	INED
Sello Moloko (Chairman)	INED, IC
Tasneem Abdool-Samad	INED

Attendees	
Chris Snyman	ED
Arrie Rautenbach	ED

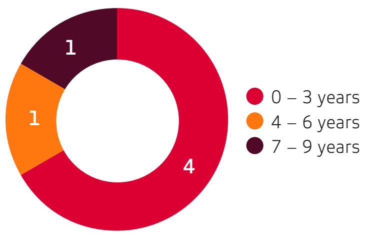


Board committee details continued

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.

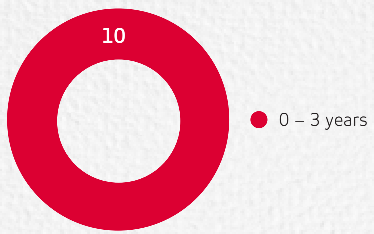
Member	Designation
Alison Beck	INED
Daisy Naidoo	INED
Fulvio Tonelli	INED
Peter Mageza	INED
René van Wyk	INED
Tasneem Abdool-Samad (Chairman)	INED
Attendees	
Akash Singh	ExCo
Arrie Rautenbach	ED
Chris Snyman	ED
Deon Raju	ExCo
Prabashni Naidoo	CIA



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 ERMF 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.

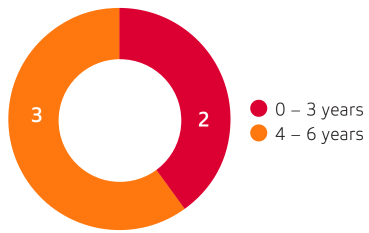
Member	Designation
Alison Beck	INED
Alpheus Mangale	INED
Arrie Rautenbach	ED
Chris Snyman	ED
Fulvio Tonelli	INED
John Cummins	INED
Luisa Diogo	INED
René van Wyk (Chairman)	INED
Sello Moloko	INED, IC
Tasneem Abdool-Samad	INED
Attendees	
Akash Singh	ExCo
Deon Raju	ExCo
Prabashni Naidoo	CIA



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, STIs and LTIs, 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.

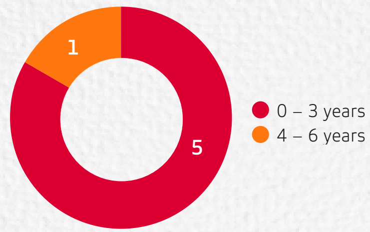
Member	Designation
Daisy Naidoo	INED
Ihron Rensburg	INED
Peter Mageza	INED
Rose Keanly (Chairman)	INED
Sello Moloko	INED, IC
Attendees	
Arrie Rautenbach	ED
Chris Snyman	ED
Jeanett Modise	ExCo



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.

Member	Designation
Arrie Rautenbach	ED
Ihron Rensburg (Chairman)	INED
Luisa Diogo	INED
Nhlanhla Mjoli-Mncube	LID
Rose Keanly	INED
Sello Moloko	INED, IC
Attendees	
Akash Singh	ExCo
Faisal Mkhize	ExCo
Jeanett Modise	ExCo
Punki Modise	ExCo
Saviour Chibiya	ExCo
Sydney Mbhele	ExCo



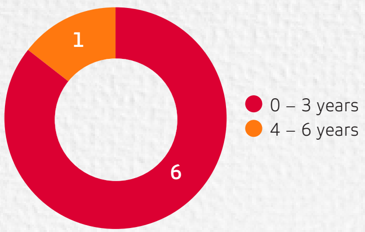
Board committee details continued

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.

Member	Designation
Alpheus Mangale	INED
Arrie Rautenbach	ED
Chris Snyman	ED
John Cummins	INED
Johnson Idesoh	ExCo
Peter Mageza (Chairman)	INED
Rose Keanly	INED

Attendees	
Deon Raju	ExCo
Chief information officers per business unit	N/A
Head of IT Audit	N/A

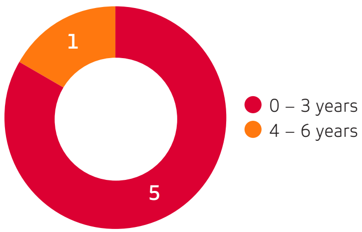


Board Finance Committee

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.

Member	Designation
Fulvio Tonelli	INED
Luisa Diogo	INED
Nhlanhla Mjoli-Mncube (Chairman)	LID
Sello Moloko	INED, IC
René van Wyk	INED
Tasneem Abdool-Samad	INED

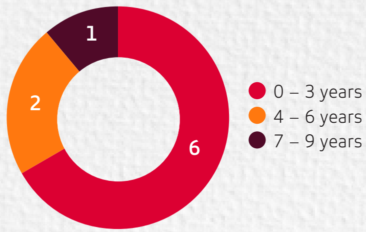
Attendees	
Arrie Rautenbach	ED
Chris Snyman	ED



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.

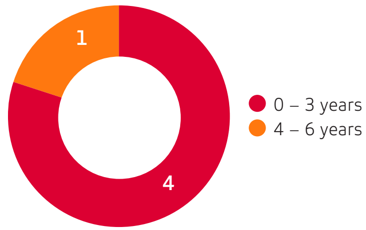
Member	Designation
Arrie Rautenbach	ED
Chris Snyman	ED
Deon Raju	ExCo
Daisy Naidoo	INED
Fulvio Tonelli	INED
John Cummins	INED
Nhlanhla Mjoli-Mncube	LID
Rautie Nel	CCO
René van Wyk (Chairman)	INED



Models Committee

The Models Committee is the designated committee tasked with reviewing Absa Group's material models as required by the Prudential Authority.

Member	Designation
Charles Russon	ExCo
Chris Snyman (Chairman)	ED
Cowyk Fox	ExCo
Deon Raju	ExCo
Geoff Lee	ExCo



Abbreviations and glossary

AGM	Annual General Meeting
AI	Artificial intelligence
AMP	Advanced Management Programme
ARO	Absa Regional Operations
ARO-RBB	The Absa Regional Operations Retail and Business Banking operating segment of the Group
AWS	Amazon Web Services
BFC	Board Finance Committee
CET1	Common equity tier 1
CIB	The Corporate and Investment Bank Pan-Africa operating segment of the Group
CLR	Credit loss ratio
CoE	Cost of equity
CPI	Consumer price index
CSI Trust	Corporate Social Investment Trust
CTI	Cost-to-income
DAC	Directors' Affairs Committee
EB	The Everyday Banking operating segment of the Group
EDGE	Excellence in Design for Greater Efficiencies
ERMF	Enterprise Risk Management Framework
ESG	Environmental, social and governance
FATF	Financial Action Task Force
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
FSCA	Financial Sector Conduct Authority
GACC	Group Audit and Compliance Committee
GCRC	Group Credit Risk Committee
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
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IMF	International Monetary Fund
Intellectual capital	Organisational, knowledge-based intangibles, including Intellectual property, such as patents, copyrights, software, rights, and licenses and "organisational capital" such as tacit knowledge, systems, procedures, and protocols.
ITC	Information Technology Committee
JSE	Johannesburg Stock Exchange
LTI	Long-term incentives
Manufactured capital	Manufactured physical objects (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
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.
NII	Net interest income
NIR	Non-interest revenue
NSFR	Net stable funding ratio
PSC	The Product Solution Cluster operating segment of the Group
RB	The Relationship Banking operating segment of the Group
RemCo	Remuneration Committee
RICM	Risk and Issue Classification Matrix
RMCP	Risk Management and Compliance Programme

Abbreviations and glossary continued

RoE	Return on equity
SA	South Africa
SARB	South African Reserve Bank
SDGs	Sustainable Development Goals
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
SMME	Small, micro 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 license to operate.
SSEC	Social, Sustainability and Ethics Committee
STI	Short-term incentive
TCF	Treating Customers Fairly
UK	United Kingdom
US	United States
WFOE	Wholly foreign-owned enterprise
YoY	Year-on-year

Shareholder diary and information

Shareholder diary

Financial year end	31 December 2023
AGM	4 June 2024 Subject to change.
Dividend declaration date	11 March 2024
Last day to trade cum dividend	16 April 2024
Ex-dividend date	17 April 2024
Record date	19 April 2024
Payment date	22 April 2024

Balance sheet and income statement

Consolidated normalised statement of comprehensive income

The normalised statement of comprehensive income has been restated. Refer to the reporting changes overview note in the *Results booklet*.

	December 2023 Rm	Restated December 2022 Rm	Change %
Net interest income	**67 927**	60 440	12
Interest and similar income	**154 462**	112 232	38
Effective interest income	**151 693**	110 315	38
Other interest income	**2 769**	1 917	44
Interest expense and similar charges	**(86 535)**	(51 792)	67
Non-interest income	**36 603**	36 352	1
Net fee and commission income	**24 971**	24 504	2
Fee and commission income	**28 214**	27 546	2
Fee and commission expense	**(3 243)**	(3 042)	7
Insurance service result	**1 998**	2 003	(0)
Insurance revenue	**11 585**	10 136	14
Insurance service expenses	**(8 913)**	(7 940)	12
Net expense from reinsurance contracts	**(674)**	(193)	>100
Net finance expense from insurance contracts	**(150)**	(63)	>100
Net finance expense from reinsurance contracts	**(4)**	(7)	(43)
Changes in investment contract liabilities	**(1,443)**	1 186	<(100)
Gains and losses from banking and trading activities	**8 081**	7 728	5
Gains and losses from investment activities	**2 642**	(532)	<(100)
Other operating income	**508**	1 533	(67)
Total income	**104 530**	96 792	8
Credit impairment charges	**(15 535)**	(13 703)	13
Operating income before operating expenditure	**88 995**	83 089	7

	December 2023 Rm	Restated December 2022 Rm	Change %
Operating expenditure	**(54 467)**	(49 372)	10
Other expenses	**(3 222)**	(2 440)	32
Other impairments	**(350)**	(591)	(41)
Indirect taxation	**(2 322)**	(1 849)	26
Loss on net monetary position	**(550)**	–	100
Share of post-tax results of associates and joint ventures	**200**	137	46
Operating profit before income tax	**31 506**	31 414	0
Taxation expense	**(7 983)**	(8 241)	(3)
Profit for the reporting period	**23 523**	23 173	2
Profit attributable to:			
Ordinary equity holders	**20 821**	21 016	(1)
Non-controlling interest – ordinary shares	**1 430**	1 282	12
Non-controlling interest – preference shares	**373**	266	40
Other equity: Additional Tier 1 capital	**899**	609	48
	23 523	23 173	2

Balance sheet and income statement continued

Consolidated normalised statement of financial position

The normalised statement of financial position has been restated. Refer to the reporting changes overview note in the *Results booklet*.

	2023 Rm	Restated 2022 Rm	Change %
Assets			
Cash, cash balances and balances with central banks	**77 815**	66 429	17
Investment securities	**236 498**	215 637	10
Trading portfolio assets	**191 097**	206 454	(7)
Hedging portfolio assets	**5 441**	4 973	9
Other assets	**27 774**	23 856	16
Current tax assets	**625**	656	(5)
Non-current assets held for sale	**197**	212	(7)
Loans and advances	**1 271 357**	1 213 399	5
Insurance contract assets	**693**	613	13
Reinsurance contract assets	**972**	1 025	(5)
Investments linked to investment contracts	**21 045**	19 288	9
Investments in associates and joint ventures	**2 644**	2 409	10
Investment property	**378**	397	(5)
Property and equipment	**15 802**	15 016	5
Goodwill and intangible assets	**13 660**	10 916	25
Deferred tax assets	**7 765**	8 523	(9)
Total assets	**1 873 763**	1 789 803	5
Liabilities			
Trading portfolio liabilities	**62 548**	94 910	(34)
Hedging portfolio liabilities	**1 688**	2 237	(25)
Other liabilities	**42 035**	34 237	23
Provisions	**6 045**	5 860	3
Current tax liabilities	**644**	869	(26)
Non-current liabilities held for sale	**–**	26	(100)
Deposits	**1 339 536**	1 241 918	8
Debt securities in issue	**211 128**	205 519	3
Loans from Absa Group Companies	**1 227**	895	37
Liabilities under investment contracts	**21 247**	19 999	6
Insurance contract liabilities	**6 426**	6 601	(3)
Reinsurance contract liabilities	**252**	45	>100
Borrowed funds	**18 502**	26 420	(30)
Deferred tax liabilities	**181**	168	8
Total liabilities	**1 711 459**	1 639 704	4

	2023 Rm	Restated 2022 Rm	Change %
Equity			
Capital and reserves			
Attributable to ordinary equity holders:			
Share capital	**1 689**	1 686	0
Share premium	**3 909**	3 636	8
Retained earnings	**134 462**	125 384	7
Other reserves	**2 150**	543	>100
	142 210	131 249	8
Non-controlling interest – ordinary shares	**7 188**	6 703	7
Non-controlling interest – preference shares	**4 644**	4 644	–
Other equity: Additional Tier 1 capital	**8 262**	7 503	10
Total equity	**162 304**	150 099	8
Total liabilities and equity	**1 873 763**	1 789 803	5

Notes

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