



Absa Group Limited

2019 Integrated Report



Our reporting suite

2019 Integrated Report

Our integrated report is our primary report for investors. It is supplemented with various online disclosures which meet the diverse information needs of the Group's stakeholders.

Financial and risk disclosures

- 2019 Annual Consolidated and Separate Financial Statements
- 2019 Summarised Annual Consolidated Financial Statements
- 2019 Pillar 3 Risk Management Report
- 2019 Pillar 3 Risk Management Report – Additional Tables
- 2019 Financial Results Booklet and Results Presentation

Environmental, social and governance disclosures

- 2019 Environmental, Social and Governance Report
- 2019 Remuneration Report
- 2019 Broad-Based Black Economic Empowerment Report

Shareholder information

- 2020 Notice of Annual General Meeting
- Form of Proxy

Reporting standards and frameworks

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

- International Integrated Reporting Council's <IR> Framework
- International Financial Reporting Standards (IFRS)
- King IV Report on Corporate Governance for South Africa, 2016™ (King IV)
- South African Companies Act No. 71 of 2008
- JSE Listings Requirements (South Africa)

- The Basel Committee on Banking Supervision Pillar 3 disclosure requirements (Pillar 3 standard).
- Regulation 43 of the Banks Act No. 94 of 1990, where not superseded by the Pillar 3 disclosure requirements.
- The Amended Financial Sector Code (South Africa)
- GRI G4 Standards, Financial Sector Supplement and the Greenhouse Gas Protocol
- South African Banks Act, No. 94 of 1990

All of the reports listed are available on www.absa.africa. Comments or queries regarding these documents can be sent to groupsec@absa.africa

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To our valued stakeholders

Absa is responding to the evolving COVID-19 crisis

On 11 March 2020, the World Health Organization declared COVID-19 (novel coronavirus) a pandemic. This serious public health and economic crisis requires decisive and coordinated action from all spheres of society.

The level of uncertainty relating to this crisis is extremely high and unprecedented, and its impact on markets and the global economy is already profound. Since our guidance at the time of results, events have unfolded rapidly, and capital preservation and liquidity are our priority. We are reviewing our assumptions and plans in order to anticipate and mitigate the risks ahead.

Absa responded immediately to protect the health of our employees, customers, clients and other stakeholders. Our response included measures to educate and inform our employees about the COVID-19 virus, and how to prevent and contain it from spreading, including heightened cleaning protocols in line with expert guidelines from national health agencies and the World Health Organisation. We implemented numerous policies relating to travel and work practices in order to mitigate risk of exposure for our employees and the broader stakeholder community with whom they interact.

We also strengthened our business continuity plans to sustain our operations across the Group, with resilience planning also taking place regarding our liquidity and capital base, the needs of our customers, and our regulatory engagements.

In parallel, we are working with public health authorities and agencies in all our presence countries to support their coordinated efforts, and we have mobilised our citizenship programme to contribute to humanitarian and community support initiatives wherever we can.

Since the lockdown measures initiated by the South African Government, we have introduced far stricter controls. We continue to monitor the actions of the governments in our other presence countries and are responding accordingly. Banking is an essential service, and we continue to provide service to our customers. Those who are in the front line directly supporting our customers or in the back-office supporting our payments infrastructure,

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banking platforms, products and other key infrastructural services are being assisted in every way possible to ensure that our operations continue while managing the ongoing safety of our employees. Wherever practical, work is being done from home, with significant upgrading to our remote access capabilities to enable employees to deliver the required services.

Our customers and clients are at the heart of everything we do, and we announced a comprehensive payment relief programme, the principles of which, apply to all countries and will be implemented in line with the respective laws, conditions and regulations following careful consideration by country management teams.

We are offering our expertise to policy makers and industry bodies who are developing coordinated responses to mitigate the systemic shocks that are threatening the economic infrastructure and social stability of the countries in which we operate.

Our 2019 Integrated Report reflects, in the main, our performance in 2019, but we are very aware that 2020 will be a far more challenging year than could have been thought possible. We have, given the knowledge that we have at this stage, indicated at appropriate points in this report, that COVID-19 will be a significant consideration in our approach, planning, stress testing, and the like. We have not, however, reflected a revised outlook throughout the report as the effects will be dynamic and hence without certainty at the date of approving this report.

We will continue to keep you informed of material developments in our business as they arise.

Kind regards

Wendy Lucas-Bull

Group Chairman

30 March 2020

Daniel Mminele

Group Chief Executive



About our Integrated Report

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

Scope and boundary

Reporting period and forward-looking statements

Our integrated report covers the period from 1 January 2019 to 31 December 2019. Notable or material events after this date and up until the approval of this report are included. Statements relating to future operations and the performance of the Group are not guarantees of future operating, financial or other results and involve uncertainty as they rely on future circumstances, some of which are beyond our control, therefore the final results and outcomes may differ. Any investment decisions taken by shareholders should be based on consideration of the full reporting suite published on www.absa.africa.

Target audience

This Integrated Report is our primary report to our investors and contains information relevant to other stakeholders. It is supplemented by the disclosures outlined on the inside front cover.

Integrated reporting

Our Integrated Report is intended to enable stakeholders to make informed assessments of our ability to create value in the short term (less than 12 months) and medium term (one to three years). It contains information regarding our stakeholder relationships, material matters, risks and opportunities, as well as forward-looking statements. These disclosures relate to the activities of the Group and its banking and insurance subsidiaries.

Selected information (such as on Broad-Based Black Economic Empowerment (B-BBEE)) is presented for our South African operations only and is noted as such.

Financial reporting

The consolidated financial performance of the Group and its subsidiaries as outlined in note 50.2 of the annual financial statements.

Normalised financial results

On 1 June 2017, Barclays PLC (Barclays) executed the sell-down of its controlling interest in the Group. As part of its divestment, Barclays contributed R12.6bn, mainly in recognition of the investments required to separate the businesses. Given this process, we report both IFRS-compliant financial results and present a normalised view. The latter adjusts for the consequences of the separation from Barclays (the Separation) and better reflects the Group's underlying financial performance. We will present normalised results for the periods in which the financial impact of the Separation are considered material.

Risk reporting

The Pillar 3 risk management report and additional tables provide a comprehensive view of the Group's regulatory capital and risk exposures.

Environmental, social and governance reporting

These reports contain information regarding the management and disclosure of our impacts and performance against a range of social, environmental and governance criteria.

Assurance

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

For 2019, PwC conducted limited assurance on the total energy use and carbon emissions indicators. Empowerdex verified our B-BBEE rating. Ernst & Young Inc. audited our annual financial statements. The scope and conclusions of these can be found in the Limited Assurance Report, the Group's B-BBEE certificate and the Group's annual financial statements, all of which are available on our Group website at www.absa.africa.

Integrated reporting concepts

Value creation

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

We measure the impact and outcomes of our business activities based on the Six Capitals of Integrated Reporting (the Six Capitals) using a stakeholder scorecard, which is presented along with information about governance and remuneration that support value creation.

Materiality

Our ability to create value is impacted by a multitude of factors, including the operating environment, our responses to the risks and opportunities and our chosen strategy. Through this report, we provide the context for what we have deemed our material matters – those which have influenced, or could influence, our ability to create value over the short, medium and long term – and how we are managing and governing our responses. Our material matters are discussed further from page 31.



About our integrated report continued

Icons used in this report

Six Capitals

	Financial capital	A balanced funding mix and solid equity position to support operations and business activities of taking deposits and lending.
	Manufactured capital	Infrastructure including the property, equipment and technology used in the production of services and the delivery of products to our customers.
	Human capital	A strong ethical culture that is customer and employee centric with competent and skilled employees engaged within a diverse workforce.
	Social and relationship capital	Collaborative relationships with a range of stakeholders including our customers, strategic service partners, regulators and communities where we operate and aim to contribute to socioeconomic development and societal wellbeing.
	Intellectual capital	Safe, effective information and technology infrastructure combined with a strong brand and institutional knowledge, specialised skills and expertise.
	Natural capital	Responsible use of natural resources including energy sources (electricity, solar and gas), air, water, paper and the management of impacts including carbon emissions, water and waste.

Stakeholders

		Stakeholder engagement is a value-creating process that is of critical importance in furthering Absa's growth ambitions. Engaging with stakeholders in a structured and well-coordinated manner, through meaningful, transparent communication, enables us to cultivate relationships that can serve as valuable capital in both good and challenging times. It is a process that provides important information about our business as well as about our social, political and physical environment. Principle 16 of King IV advocates for the adoption of a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time. The range and extent of engagements is vast and our approach is informed by the specific stakeholder as well as the need for engagement.

King IV™



King IV
application

Navigation



Page
reference



Online download
reference



Weblink
reference

Board approval

This report, developed and recommended to the Board by the Executive Committee, is our opportunity to provide investors with material information and commentary thereon so that they may make an informed assessment of the year under review.

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

The Board approved this report on 20 March 2020.

Alex Darko	Colin Beggs	Daisy Naidoo	Daniel Hodge
Daniel Mminele	Francis Okomo-Okello	Ihron Rensburg	Jason Quinn
Mark Merson	Mohamed Husain	Peter Matlare	Rose Keanly
Sipho Pityana	Tasneem Abdool-Samad	Swithin Munyantwali	Wendy Lucas-Bull



Performance snapshot

R1.4trn
(2018: R1.3trn)

total assets

R917bn
(2018: R842bn)

loans and advances to customers

1 926.0 cents
(2018: 1 913.4 cents)

headline earnings per share

R826bn
(2018: R736bn)

deposits due to customers

R16.3bn¹
(2018: R16.1bn)

headline earnings

R80.0bn¹
(2018: R75.7bn)

revenue

11.8%²
(2018: 12.0%)

common equity tier 1 ratio

The story behind the numbers

134.4%
(2018: 109.9%³)

liquidity coverage ratio³

Level 1
(2018: Level 2)

B-BBEE

61.1%
(2018: R61.1%)

women in our workforce

¹ Normalised.

² Remains within Board target range.

³ Restated due to the Prudential Authority's 2019 exclusion proposals.



Successes

- Achieved a Level 1 B-BBEE rating.
- Absa Mobile Banking App rated number 1 in South Africa, and now includes a world first beneficiary switching capability and CashSend and payments via Western Union.
- Driving digital access innovations such as ChatBanking, Timiza, Jumo and youtap.
- Placed 3 564 youth in workplace experience opportunities through the Youth Employment Service initiative in South Africa.
- Founding signatory of the UNEP FI Principles for Responsible Banking.
- First African bank to conclude a capital guarantee deal with the Multilateral Investment Guarantee Agency; joint book runner in Africa's first USD Social Bond; and secured the CDC Group's largest trade finance commitment in Africa.

- Steady strategic progress and a resilient performance against challenging macroeconomic conditions.
- Balance sheet, revenue and earnings growth in line with peers; gross loans and deposits grew 9% and 12%, respectively.
- The Separation is close to completion, with 90% of projects delivered.
- Improving customer numbers and levels of customer engagement.
- Launched the Absa brand across Africa.
- Successful integration of bancassurance within Retail and Business Banking South Africa.
- Completed the re-organisation of Corporate and Investment Bank South Africa.
- Strong Absa Regional Operations performance.

Challenges

- Continuing macroeconomic, social and political challenges, significantly deepened by the Covid-19 outbreak.
- Competitive pressure from new entrants to an already highly competitive and evolving financial services market.
- Evermore complex regulatory environment, globally and locally, across prudential, conduct, tax and market authorities.
- Global syndicates which pose risk to our cyber and fraud defences.
- Impairments which are increasing.
- Our South African Markets business and the turnaround required.
- The transformation of our culture, and the need for further traction in this regard.
- The transition to digital for customers and employees, and the acceleration in the pace thereof.



Group Chairman's message



Wendy Lucas-Bull
Group Chairman

Over the past year, the Absa Group and the Absa brand emerged stronger as we reached key milestones on our journey to be a leading African financial services group, inspired by the continent and the people we serve. It was a most challenging year, yet despite this, the Board is pleased with the steady progress made, and the momentum in our businesses. A highlight that brought us closer to the completion of our Separation from Barclays was the launch of the brand and name change of the Barclays entities in Absa Regional Operations to Absa in February 2020.

We welcomed Daniel Mminele as our new Group Chief Executive in January 2020. He brings a wealth of financial services experience and we believe that the combination of his record of accomplishment in banking and leadership, as well as his personal strengths, make him the right person to drive the implementation of Absa's strategy. Daniel joins an executive leadership team that maintained its focus on our key objectives and continued to build a strong foundation for the future.

On behalf of the Board, I wish to extend our gratitude to René van Wyk for his leadership of the Group as Chief Executive since March 2019. He steered our organisation through a time during which the most critical aspects of the Separation had to be completed, and when leadership in our core businesses began to be restored.

Advancing the Separation

The Board and Separation Oversight Committee are proud of the progress we have made and the efficient way in which the project teams have fulfilled their mandates. To date, the programme has run on time and on budget. The approach of our various teams across all our geographies speaks to the spirit of "Africanacity" – a uniquely African ability to get things done. By June 2020, we expect to conclude this important chapter in our history and thereafter focus completely on building a unique franchise in all of our markets.

The Board thanks employees for driving each project with focus and dedication, while also serving our customers; and our customers for remaining loyal through the transition and sharing our excitement about this new era.

The 2019 economic, political and social context

Even as we celebrate our progress, we note developments in the global, regional and domestic context that have introduced unique challenges into the operating environment.

On the global front, while the United States/China trade tensions have de-escalated to some extent, significant risks remain. The United States administration's preference for bilateral trade relationships has led to an uncertain global trading environment and the result has been difficulty in sustaining the well-established, multilateral rules-based system that has been in place for decades. This uncertainty has, for instance, made it difficult for the World Trade Organization to deliberate on digital economy taxes, which to date have been driven by the United States and France. The United

Kingdom government continues to negotiate a post-Brexit arrangement with the European Union, and we look forward to clarity on the mechanics of the separation.

All of this now pales in comparison with the COVID-19 outbreak and the global crisis. Given the timing of this report, the commentary in the main does not address the crisis; however, work is underway to assess the impact and our responses.

Closer to home, the International Monetary Fund has warned about rising sovereign debt in some countries in Africa. Rapid debt accumulation over the past decade has seen debt service costs becoming the fastest-rising government expenditure in several of our presence countries. Management and the Board will continue to closely monitor developments, in particular fiscal interventions that could have an impact on our business assumptions.

"We are making steady progress in our journey, to be a leading African financial services group, inspired by the continent and the people we serve."

In South Africa, President Cyril Ramaphosa's latest State of the Nation address provided a frank assessment of the difficulties facing South Africa.

We are deeply concerned about the country's deteriorating economic performance, declining overall global competitiveness and the operational capacity of the state power utility, Eskom. Continuing policy uncertainty, delays in economic restructuring and reform, and a deteriorating fiscal position are headwinds against our hopes of economic recovery. The operational capacity of Eskom is key. It is imperative that loadshedding and resultant blackouts are eliminated, in order to sustain and support South Africa's economic activity.

Positive take-outs from the 2020 Budget speech by the South African Minister of Finance included keeping government spending in check, clearing the way for increased economic activity and job creation. His approach to energy sector liberalisation and broadband spectrum auction was encouraging, which if implemented, would support a positive investment climate.



Group Chairman's message continued

Other important principles laid down by the Finance Minister included the saving of R150bn over three years. However, we are cautious about spending cuts in areas such as housing and public transport, given the importance of infrastructure spending to the future economic development of the country. Much depends on execution, specifically preserving that which will support economic growth and removing that which is wasteful.

We continue to work with government and other social partners to find sustainable solutions to these challenges. This has been, and continues to be urgent. It is important for government to translate the sentiments expressed in the State of the Nation address and the Budget speech into tangible policy and administrative actions behind which the business sector can mobilise.

Although we do not believe that an amendment of the South African Constitution is necessary to improve the performance of the land reform programme, we nonetheless welcome President Ramaphosa's undertaking that the authorities will articulate the specific circumstances under which expropriation of land without compensation will take place, should the Land Expropriation Bill be signed into law. However, we continue to urge Parliament and government to manage the legislative and policy making processes in a manner that produces positive economic outcomes and secures sustainable food production.

We are concerned about the erosion of ethics and trust in society and acknowledge that the corporate sector has not been untouched by this scourge. The corporate scandals in 2019 which followed those in 2017 and 2018, have reminded us of the responsibility we all have to be deserving of the trust placed on us as leaders. Integrity must define our leadership, and at Absa, the Absa Way Code of Ethics promotes doing the right thing for our customers, our employees and society in general, by taking responsibility for our actions. We commit to actively combatting corrupt

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practices wherever we encounter them; to not act in an anti-competitive way; to maintaining zero tolerance for corruption within Absa and to protect whistle-blowers. When we identify misconduct, we ensure disciplinary action and remuneration-related sanctions wherever necessary.

Strategy review

While there has been progress in the execution of our strategy, we did not achieve our 2019 targets, most notably our cost-to-income and return on equity targets. However, the Board considered this within the context of a challenging set of macroeconomic, political, environmental and social factors, which have escalated in the first months of 2020, and has approved the next medium-term plan on the basis that the 2021 targets will be moved to 2022. Again, the COVID-19 pandemic and its impacts on all economies will have wide-ranging consequences on every aspect of our business. The impact on our strategy and plans is currently being assessed.

Our commitment

Our commitment to be a force for good in society remains a cornerstone of our business strategy. We recognise that our ability to deliver value to our shareholders is inextricably linked to the prosperity of the societies in which we operate.

In 2019, we continued to grow our commitment to education and tertiary skills training in order to improve competitiveness and youth employability. In addition to our university scholarship and ReadytoWork programmes, which are now well established, we established a cybersecurity academy where young people from marginalised backgrounds are receiving world class training and development in highly sought-after skills.

We recognise the importance of protecting the environment to ensure a sustainable future. Sustainability has rightfully been at the centre of policy discussion as governments and companies must make crucial decisions about energy, mining and related policies – areas that are critical for our trade and financing activities. As an organisation, we are expected to take a clear stand and articulate a position that is progressive, forward looking and responsible.

In 2019, we became a founding signatory of United Nations Environment Programme Finance Initiative's (UNEP FI) Principles for Responsible Banking, which require banks to adopt a sustainability approach to their activities. We acknowledge the social and environmental dilemmas facing our continent, as well as our ability to responsibly influence aspects of sustainability. The Principles are an expression of our commitment to assuming an active leadership role in bringing about sustainable changes in Africa.

Further, we completed a review of our sustainability policy, which included finalising the standard for handling coal-related financing. Our continent is particularly vulnerable to the impact of climate change and we acknowledge that as a financier, we can make a difference.

Evolving Board diversity

In an evolving business context, the diversity of the Board remains paramount; diversity in knowledge, skills and experience as well as in age, gender, race and the representation of our footprint. In 2019, as part of our succession planning and the ongoing process of maintaining the Board's strength, we appointed Sipho Pityana, Ihron Rensburg, Rose Keanly and Swithin Munyantwali to the Board. René van Wyk stepped down as an executive director at the end of January 2020 and it is our intention that he re-join the Absa Group Board as a non-executive director in August 2020, following a six-month cooling-off period. Mohamed Husain is retiring at the 2020 annual general meeting, having joined the Board in 2008. We thank him for his valuable contributions as board member, chairman of the Social and Ethics Committee (and previously of the Remuneration Committee), and as Lead Independent Director, and we wish him well. Mohamed's keen legal mind and commercial approach was invaluable in many of our deliberations, not least of which was the acquisition of the eight Barclays Africa entities, and the sell-down and Separation from Barclays.

Conclusion

We have undergone a significant transformation, which is reflected in the attitudes and successes of our Group and our employees.

In 2019, our employees proved that Absa is adaptable, agile and resilient. We continue to operate in very challenging and dynamic global, regional and local environments, but I am confident that we will respond appropriately to the current global crisis.

Wendy Lucas-Bull



**We are driven by our purpose
and guided by our aspirations.
We live by our values.**

Absa Group today

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

Purpose

Bring your possibilities to life

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

Aspirations

For our people, we will create a culture that appreciates, unifies and differentiates us from our competitors.

For our customers, we will create seamless experiences to engage and delight them.

For society, all our employees will lead with a conscience... doing the best for people and the planet.

We are an African group, inspired by the people we serve and determined to be a Group that is globally respected and that Africa can be proud of.

We are committed to finding local solutions to uniquely local challenges.

Everything we do focuses on adding value.

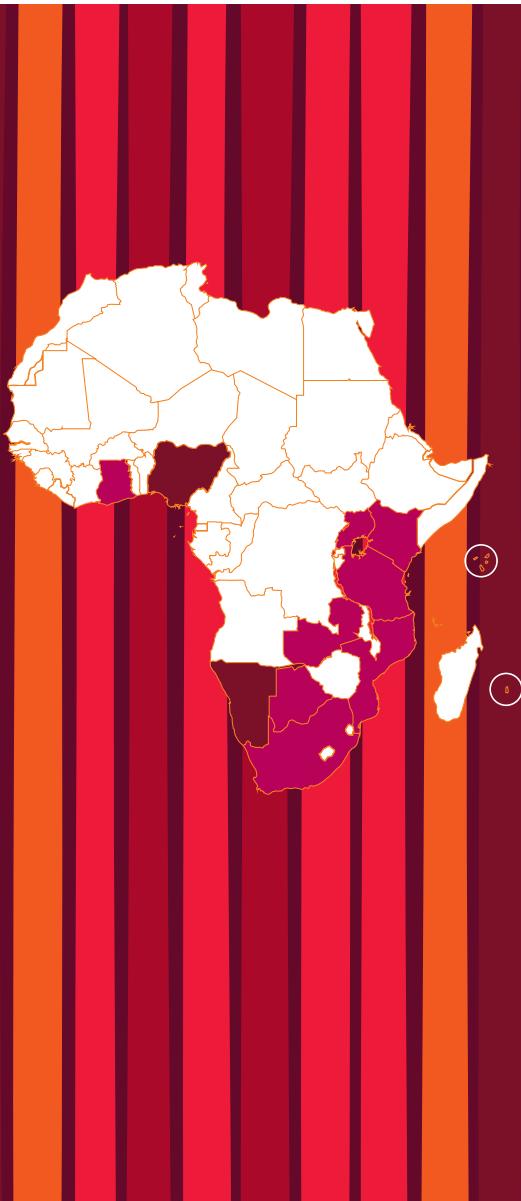
Values

- 1.** We drive high performance to achieve sustainable results.
- 2.** Our people are our strength.
- 3.** We are obsessed with the customer.
- 4.** We have an African heartbeat.



Absa Group today continued

Absa presence



Customers are served through an extensive branch and self-service terminal network, digital channels, financial advisors, relationship bankers and dealerships, originators, alliances and joint ventures.

14 countries¹

- 38 472 employees**
- 1 016 branches**
- 9 763 ATMs**
- 115 708 point-of-sale devices**

Call centres

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

Our digital offering

- Transacting and sales through Absa Online Banking, Absa Access and Virtual Investor.
- Mobile apps, such as the Absa Mobile Banking App, NovoFX, Hello Money, Juno and Timiza.
- ChatBanking on WhatsApp and Facebook Messenger.
- USSD code-based functionality.
- Online transactions via third-party sites.

Our wide array of partnerships

- Agency banking at third parties for bill payments, deposits and withdrawals.
- Access to financial services through our telecommunications and retail partners, which enhances our digital offering.

¹ Other offices: Namibia, Nigeria, United Kingdom and United States.

² Absa Bank Tanzania and National Bank of Commerce combined.

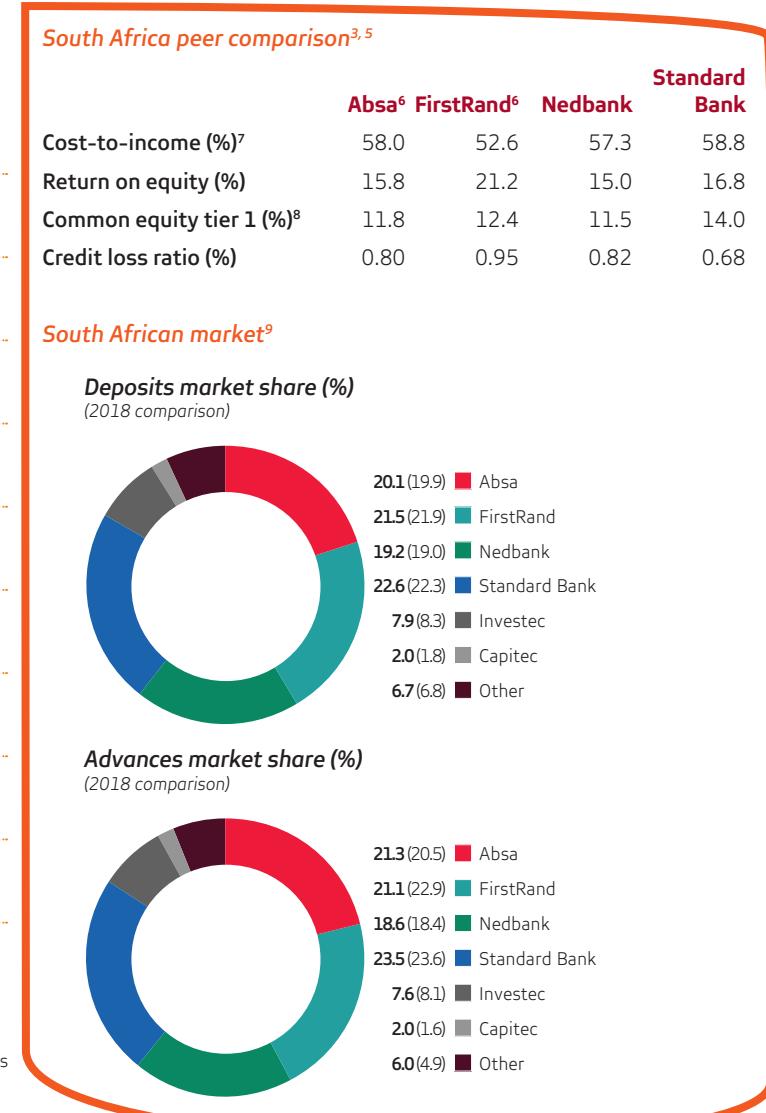
 Botswana 1 200 32 114 4 900 <small>Founded: 1950</small>	 Seychelles 282 8 21 1 400 <small>Founded: 1959</small>
 Kenya 2 398 85 214 5 900 <small>Founded: 1916</small>	 South Africa 28 296 632 8 656 94 657 <small>Founded: 1888</small>
 Ghana 1 167 60 171 500 <small>Founded: 1917</small>	 Tanzania² 1 662 64 246 950 <small>Founded: 1925</small>
 Mauritius 743 16 40 1 400 <small>Founded: 1919</small>	 Uganda 934 39 74 1 201 <small>Founded: 1927</small>
 Mozambique 857 44 107 900 <small>Founded: 2002</small>	 Zambia 890 36 120 3 900 <small>Founded: 1918</small>

Absa Group today continued

Absa in the banking context

The African market contains a wide spectrum of local, regional and global banks as well as emerging fintechs and digital players. Our presence countries have a combined banking revenue in excess of R481bn¹. In the table below we provide a view of the Group's position relative to its most significant peers in each country.

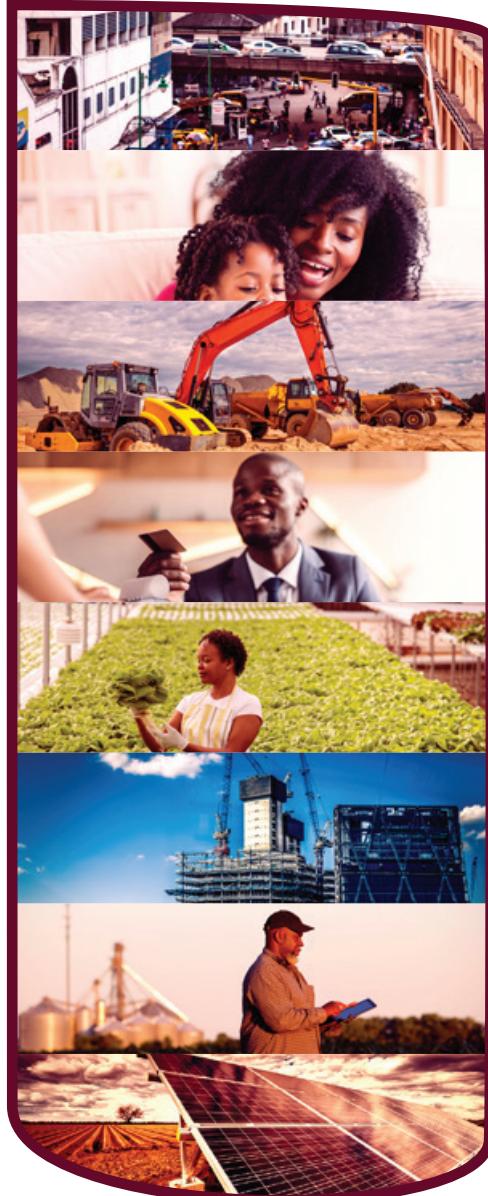
	GDP ²	GDP growth ²	Population ²	Banking revenue pool ¹	Number of banks	Percentage of total banking income held by top 5 banks	Absa relative to peers ³		
							Rank by income	Return on equity	Cost-to-income
South Africa	US\$368.3bn	0.8%	57.8m	R321bn	41	87.4%	3 rd	3 rd of top 4	3 rd of top 4
Botswana	US\$17.4bn	4.5%	2.0m	R9bn	16	83.2%	3 rd	1 st of top 5	3 rd of top 5
Ghana	US\$47.0bn	6.3%	28.0m	R29bn	43	41.8%	3 rd	1 st of top 5	1 st of top 5
Kenya	US\$79.2bn	6.3%	48.0m	R52bn	47	52.8%	4 th	3 rd of top 5	5 th of top 5
Mauritius	US\$13.3bn	3.7%	1.4m	R18bn	23	81.4%	3 rd	2 nd of top 5	5 th of top 5
Mozambique	US\$12.6bn	3.3%	27.0m	R14bn	21	81.6%	4 th	3 rd of top 5	4 th of top 5
Seychelles	US\$1.5bn	4.6%	0.095m	R1.3bn	5	100%	1 st	3 rd of top 5	2 nd of top 5
Tanzania⁴	US\$51.8bn	6.7%	56.0m	R15bn	39	59.7%	9 th ABT 3 rd NBC	7 th of top 10 4 th of top 5	9 th of top 10 3 rd of top 5
Uganda	US\$26.6bn	6.5%	40.9m	R12bn	24	64.4%	4 th	3 rd of top 5	3 rd of top 5
Zambia	US\$25.7bn	3.7%	16.4m	R10bn	22	60.0%	4 th	4 th of top 5	3 rd of top 5

¹ Estimated.² Source: World Bank, 2018.³ South Africa, based on 2019 financial results with the balance based on 2018 financial results.⁴ Absa Bank Tanzania (ABT) and National Bank of Commerce (NBC).⁵ Source: 2019 peer reports.⁶ Absa and FirstRand normalised results are presented.⁷ Nedbank and FirstRand include associate income in their cost-to-income ratio, whereas Absa and Standard Bank exclude it. The Nedbank and FirstRand ratios presented have been recalculated to exclude associate income.⁸ IFRS 9 day one impact is being phased in over three years, with the exception of Nedbank.⁹ Source: South African Reserve Bank BA 900 31 December 2019.



Absa Group today continued

Our organisational structure, products and services



We deliver a wide range of financial products and services through three customer facing segments to meet the needs of our customers.

Retail and Business Banking South Africa

Serving

Individuals; micro, small and medium enterprises; non-governmental organisations and public sector institutions.

Products and services

Comprehensive suite of banking and insurance offerings, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products, and card-acquiring services.

Presence

South Africa.

Corporate and Investment Bank

Serving

Global, regional and mid- to large sized corporates and organisations; financial institutions; and public sector institutions.

Products and services

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

Presence

South Africa, serving customers across Africa alongside Absa Regional Operations and an international presence in the United Kingdom and the United States of America. Representative offices in Namibia and Nigeria.

Absa Regional Operations

Serving

Individuals; micro, small and medium enterprises; regional and local corporates; financial institutions; non-governmental organisations and public sector institutions.

Products and services

Comprehensive suite of retail, business, corporate and investment banking products and services, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products, and card-acquiring services. Insurance products in select markets.

Presence

Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania, Uganda and Zambia.

47: Strategic execution through our customer facing business



Our value-creating business model

We are a purpose-driven, values-based Group and our employees bring our purpose, Values and strategy to life so that we can bring possibilities to life.

Our outputs

We provide a range of banking, advisory and insurance offerings for individuals, small- and medium-sized businesses, corporates, financial institutions, banks, sovereigns and development finance institutions. We generate revenue through fees, insurance activities and interest from lending.

Our activities, products and services

- Transactional banking
- Trade and working capital solutions
- Savings (deposits) and investment management
- Lending and financing
- Debit and credit cards
- Card merchant services
- Insurance
- Cash management
- Payments
- Remittances
- Liquidity products and solutions services
- Advisory services
- Risk management

Matters from the operating environment influencing value creation

- Subdued economic conditions
- Increasing competition
- Technology and associated opportunities and risks
- Rising stakeholder expectations
- Ongoing regulatory and policy pressures
- Sector commitment to supporting sustainable development
- COVID-19 pandemic

What differentiates us

- We are a universal financial services group with a business model designed to be closer to our customers.
- Our banking entities are all considered systemically important in the countries in which we operate.
- Our African footprint and multichannel distribution includes physical and digital infrastructure as well as strategic partnerships through which we serve our customers.
- A fully integrated product offering, including bancassurance, which is supported by ongoing, incremental and transformative innovation in our products and services.
- Our strong, refreshed brand in South Africa and the new Absa brand in Absa Regional Operations jurisdictions.
- Our ability to manage our cost base while continuing to invest.
- Our execution and change management capability, built through the Separation, which will be redirected to accelerate the execution of our strategic priorities.

Key resources and relationships

- Financial capital from our shareholders, debt investors, lenders and depositors to provide a balanced funding mix to support lending activities.
- Relevant financial services licences granted by governments through respective regulatory bodies.
- Social licence to operate gained from society at large, including the communities in which we operate and civil society.
- Manufactured capital, including the technology used in the delivery of our products and services.
- Infrastructure and support services, especially power generation, telecommunications and water.
- Financial, commercial, technical, risk and management skills and expertise at board, management and employee level.
- Improving customer satisfaction with sound customer relationships.
- Sound reputation.
- Positive relationships with employees and trade unions.
- Constructive relationships with government and civil society.
- Strategic channel partnerships and key service providers, as well as a diverse supply chain with a focus on localisation.

Our value propositions

The following underpin all of our activities and create value across the entire stakeholder spectrum:

- Driving an ethical culture.
- Governing responsibly.
- Effectively managing risk.



Customers

- Innovative, digitally enabled experiences and insights.
- Improved access to financial services and markets.
- Deep relationships with customers through a life-stage/ ecosystem approach.
- An extensive and accessible network combining physical outlets, call centres, digital platforms and access through strategic partners.
- Security and privacy through strong technology and data management.



Employees

- Creating differentiated experiences and inspiring a diverse and inclusive workforce.
- Attracting and retaining the best talent.
- Self-led development and opportunities for career progression.
- Performance-based recognition and reward.



Our value-creating business model continued

Potential for revenue differentiation

- ✓ Diverse revenue streams across portfolio and geographic presence.
- ✓ Large customer base in retail, business and corporate banks.
- ✓ Regaining market leadership, increasing market share and cross-sell ratio, improved products and services, all within an appropriate risk appetite.
- ✓ Scope to grow in product lines where we are underweight in terms of market share.
- ✓ Shifting from debt-led customer relationships to transactional, winning customer primacy.
- ✓ Strong brand and presence in key markets.
- ✓ Strengthening international presence dedicated to serving multi-national corporations, global development organisations and non-governmental organisations operating in Africa.
- ✓ Emerging opportunities to support energy, security and the transition to the low-carbon economy.
- ✓ Leveraging strategic partnerships.

Matters impeding our financial performance include:

- ✗ The subdued macroeconomic environment along with impacts of the COVID-19 pandemic, which will lead to subdued revenue opportunities.

Potential for cost differentiation

- ✓ Ability to deliver cost reductions through restructuring.
- ✓ Enhanced operating efficiencies using automation which further contributes to enhanced service levels.

Matters impeding our financial performance include:

- ✗ A higher cost-to-income ratio as a result of macroeconomic conditions, investment spend and the incremental running costs arising from the Separation.

Managing key risks

- Global, regional and local macroeconomic pressures and weakening economic fundamentals.
- The financial position and operational instability of South Africa's state-owned entities, most notably Eskom.
- Policy uncertainty, such as land reform in South Africa.
- Increasing sophistication in fraud, including increasing cyber risk.
- Strong competition especially from new and/or digital players.
- Change fundamentals arising from the transformation of the business.
- Climate change impacting both business continuity and our customers.
- Increasing environmental constraints, most notably in the case of water.
- Impacts of COVID-19.



Society

- Products and services with a positive social impact.
- Supporting inclusive growth.
- Preparing young people for the future of work.
- Advancing financial literacy and inclusion.
- Supporting an inclusive and responsible supply chain.
- Generating and distributing economic value.
- Contributing to fighting financial crime and money laundering.
- Responsible banking by ensuring appropriate due diligence is followed.



Planet

- Minimising our own direct environmental impacts.
- Supporting customers and clients in responsible consumption and transition to low-carbon economy.
- Advancing our capabilities in climate risk management.



Investors

- Growing sustainable returns on investment through attractive dividends and growth in share price.
- Returns on debt-based investments delivered within agreed timelines.



An active force for good

In 2018, we embarked on a transformation journey and made some critical choices that shaped the business and brand strategies which are anchored on growth. One of the key enablers is for the Group to *play a shaping role in Africa's growth and sustainability*.

What we mean by *playing a shaping role in Africa's growth and sustainability*?

We have a vested interest in creating inclusive growth in Africa and in delivering financial services in a socially and environmentally responsible manner. Opportunity and success can only be enabled through all people being treated equitably, having good health, and having access to education and income opportunities. Recognising the link of our sustainability to that of the communities where we operate, we are making a step change in our contribution to society by becoming more strategic in our approach.

Informing principles

1. Commitment to diversity, stakeholder engagement and strategic partnerships.
2. Sound risk management, including environmental and social considerations.
3. Ethical behaviour, sound corporate governance and balance in communications.
4. Investing in digitalisation and innovation to deliver solutions to customers, employees and society at large.

Delivered throughout the Group

Customer-facing businesses and support functions charged with integrating the Group's shaping role in Africa's growth and related sustainability activities into their respective strategies.

Our central support functions for Sustainability, Transformation and Citizenship act as advocates and challengers, while providing guidance and support on these matters.

Our active force for good framework brings together multiple strategies and implementation activities across the Group. Together, these distinct yet complementary activities generate the direct and indirect economic, social and environmental impacts across our markets that will play a positive role in bringing Africa's possibilities to life and will provide tangible proof points in the delivery of the Group's social aspiration to be an active force for good. This framework has four thematic focus areas:

Contributing to economic development

Enabling sustained and inclusive growth by:

- Supporting and empowering business customers, clients and suppliers.
- Financing targeted infrastructure, including power and water, transportation to strengthen economies.

Intergenerational sustainability

Ensuring viable communities by:

- Managing climate risk and the associated social risks.
- Providing innovative, sustainable financial products and advisory services to support a just transition to a low-carbon economy.
- Managing our own ecological impacts.

Access to financial services

- Reducing barriers and delivering solutions for efficient and inclusive transactional, savings, credit and insurance solutions for individuals and groups.
- Providing financial education and, where applicable, debt review support for customers and employees.
- Initiating and commissioning research and thought leadership on key issues that will help accelerate African growth, with a specific focus on inclusion.

Promoting social change

Promoting efforts to overcome issues relating to education, gender equality, social wellbeing, employment and justice by:

- Leveraging strategic partnerships and thought leadership for building social cohesion and nation building.
- Funding access to education, skills development and employability initiatives.
- Contributing to the stability of the financial services system through ethical conduct, fraud prevention, data protection and the prevention of money laundering and terrorism financing.
- Providing employment free from discrimination and underpinned by fair labour practices and employee wellbeing.



An active force for good continued

Governance and accountability

Board

We appreciate that the Group's core purpose, the risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

Executive management

Led by the Group Chief Executive, each Executive Committee member is, within their respective mandates, accountable for integrating the principles of sustainability into their business strategies.

Senior management

Mandated by the Executive Committee, the accountability to execute and report is appropriately transferred to other levels of leadership.

Contributing to the United Nations Sustainable Development Goals (SDGs)

In our report, we provide reference to the specific SDGs where we create value. These links have been determined by an analysis of our operations, corporate citizenship and, most importantly, customer-facing activities against the underlying 169 targets.

In the diagram alongside, we reflect our contributions through three lenses:

- Customers
- Operations
- Social



Local and global standards and frameworks followed



Sustainability/ESG indices participated in





Ethics and conduct

Good conduct is fundamental to the sustainability of the financial services industry and the creation of value. Good conduct is driven by our daily behaviours and exhibited in our individual and collective actions and decisions.

The Absa Way Code of Ethics



Daniel Mminele
Group Chief Executive

Our purpose of bringing possibilities to life shapes what we do every day and The Absa Way Code of Ethics guides how we do it.



*The Absa Way
Code of Ethics*

The Board endorsed The Absa Way Code of Ethics as approved by the Social and Ethics Committee in July 2019.

The Absa Way Code of Ethics outlines our Values and expected behaviours when engaging with our fellow employees, customers, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community.

We are deeply committed to helping Africa and its people unlock their potential and to playing our part in promoting principled behaviour. Financial services providers like Absa safeguard customers' hopes and enable success; without their trust, we cannot exist. To maintain the trust of our customers and other stakeholders, we commit to acting with integrity as outlined in The Absa Way.

We continuously improve by challenging ourselves to find better ways to achieve growth and bring possibilities to life. As our internal policies and standards evolve in response to changing legislation and customer requirements, so will The Absa Way. The foundational principles will, however, remain; that is to act ethically, fairly and sustainably to ensure long-term value for our stakeholders.

It starts with me:

“ I commit to abiding by The Absa Way and holding myself accountable against it. Each member of my executive team and each Absa employee commits to the code in their own capacity, as we individually take responsibility for the impact of our actions on the world. ”

Our 12 target conduct outcomes

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



Ethics and conduct continued

The Board is committed to the highest standards of integrity and ethical behaviour. It recognises that for leadership to be effective it must be ethical. Our directors uphold the standards of conduct required of them by law, regulation and policies, while demonstrating the behaviours that are consistent with the Absa Values. The Board oversees the various tools, processes and systems used to embed an ethical culture in the organisation.

Absa's Values underpin our culture and we continue on our journey to embed these as we unite under the Absa brand.



We drive high performance to achieve sustainable results.



Our people are our strength.



We are obsessed with the customer.



We have an African heartbeat.

The Absa Way Code of Ethics outlines the values and behaviours that govern our interactions with stakeholders.

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

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

- Providing appropriate products and services at the right prices to our customers.
- Upholding market integrity.
- Rewarding the right activities and behaviours.
- Mitigating potential risks.

The **Board Charter** is the constitution that guides our Board and its committees in their activities and decisions; in their dealings with each other, with management, with our stakeholders and with the Group as a whole.

Our **Group Governance Framework** standardises the governance practices and attributes of all our legal entities across businesses and geographies.

In terms of **human rights**, we align with the International Labour Organizations' Declaration on Fundamental Principles and Rights at Work.

Employee conduct is monitored through culture surveys and by tracking disciplinary cases, grievances and ethical breaches. This analysis assists in determining the areas impacting on culture and identifies how to better align these with Absa's Values. In addition, conduct forms part of an employee's performance assessment and unethical conduct can result in a range of possible sanctions, including dismissal. In 2019, 271 employees were disciplined for unethical conduct and 112 of them were dismissed.

Our Ethics and Priority Whistleblowing and Investigations teams are dedicated to own and drive the embedding of the Group's policies through regular communication and training. They also monitor compliance and investigate matters of a more serious nature.

Whistleblowing provides a safe platform for employees to confidentially and anonymously raise concerns of unethical behaviour and/or fraud. Tip-offs are the most common way of detecting fraud. In 2019, 514 tip-offs were received, up from 458 in 2018, with 212 of these (2018: 198) being conduct related. Of these, 18% were substantiated, which is a decrease from 27% in 2018.

'**C-Zone**' is our digital compliance monitoring system, which consolidates all employee-related compliance activities, ensuring the efficient, easy and confidential submission of required disclosures, and improving internal controls for managing conflicts of interest.

Supplier due diligence is conducted and includes anti-bribery and anti-corruption checks. We also require our suppliers to uphold high standards of corporate governance and to align to the Group's ethics and human rights policies. All our suppliers are assessed to determine their readiness to respond to, manage and mitigate operational, financial and reputational risks during on-boarding and periodically thereafter in line with the Group Procurement Policy, External Supplier Standard and Supplier Management Standard. Group Supplier Assurance continuously and specifically reviews our critical and high spend suppliers for financial, operational and reputational risks.

Independent assurance of high-risk and high-value tenders and outsourced agreements ensures that all activities and duties are carried out in compliance with regulatory requirements, frameworks, policies and processes.

In 2019, we discontinued relationships with a number of third-party debit order processors and aggregators as a result of ethics-related concerns. We have implemented a number of controls to curb debit order abuse to protect our customers.

No suppliers were exited in 2019 due to ethical concerns. Following the exit of three significant suppliers in 2017 and 2018, reviews of the suitability and sustainability of remedial actions and controls have been completed with a view to their possible participation in future tenders.

The Client Onboarding and Exit Committee takes decisions regarding high-risk clients and related financial, compliance, conduct and reputational risk.

In 2019, customer accounts were closed when appropriate and 12 575 suspicious transaction reports were filed with the Financial Intelligence Centre.

Data privacy and protection of personal information is of utmost importance and we are aware of our responsibilities in terms of the personal data entrusted to us. We process personal data responsibly and ethically.

Although we were alerted to three potential personal data breaches in the last financial year, our quick response to these resulted in no losses or theft of our customers' or employees' personal data.

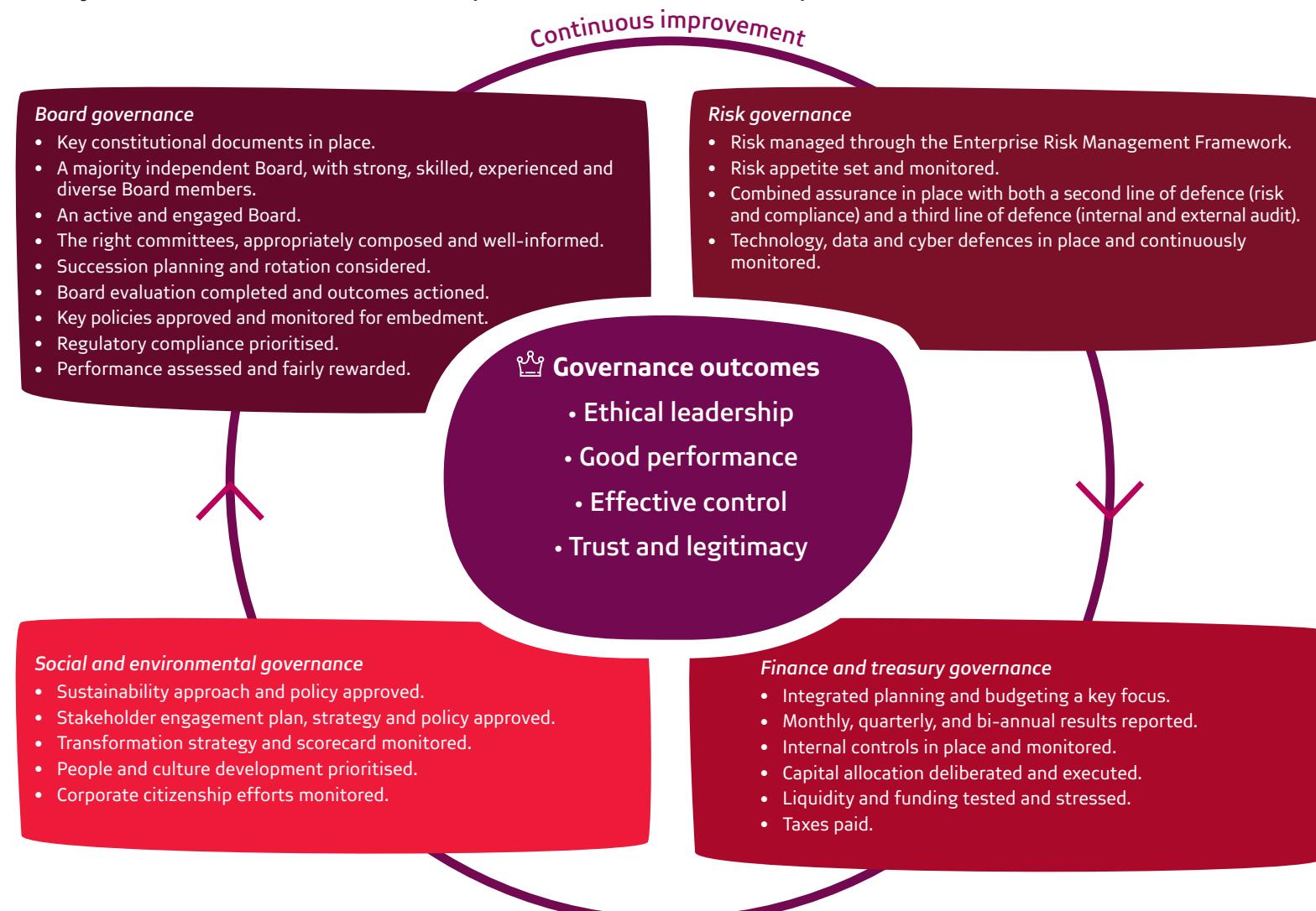
Good governance for value creation

The Absa Board is committed to continuous improvement in our corporate governance principles, policies and practices, and does so by remaining abreast of evolving regulations and best practices. This is further enhanced through engagement with regulators and industry bodies, and regular feedback from other stakeholders.

Good corporate governance practices are important in creating and sustaining shareholder value and ensuring that behaviour is ethical, legal, transparent and for the benefit of all stakeholders.

 We are compliant with all of the principles outlined in King IV. In 2019, our focus was on maturing and improving our practices, with specific emphasis placed on remuneration, governance, sustainability, combined assurance and stakeholder relationships.

The Board considers the possible positive and negative outcomes of the Group's activities and outputs on the economy, society and the environment in which we operate, as well as on the Six Capitals that it uses and affects.





Good governance for value creation continued

The Board's primary responsibilities

The Board is the highest decision-making body for those matters which are of such importance as to be of significance to the Group as a whole because of their strategic, financial or reputational implications or consequences.

The Board:

1. **Sets and steers strategic direction:** the Board challenges the Group strategy and approves the related value-creating goals and ambitions.
2. **Approves policy and planning:** the Board approves major policies and related decisions, including financial plans and risk appetite, to support the Group's strategic ambition and to protect the interests of the Group's stakeholders.
3. **Provides oversight and monitoring:** the Board delegates to management the authority and responsibility for the day-to-day running of the business and reviews management's performance and effectiveness by overseeing strategy execution; delivery against plan; the customer franchise; the control environment; the adequacy of systems, employees and resources; and compliance with regulations and best practice.
4. **Ensures accountability:** frequent and detailed reports and presentations are made to the Board and committees to ensure the accountability of management and the executive. This culminates in a determination of Group, business unit and individual performance as part of the performance and reward cycle.

Directors act in a way that they consider, in good faith, promotes the success of the Group for the benefit of stakeholders. In doing so, they consider, among other matters:

1. The likely consequences of any decision in the long-term.
2. The interests of the Group's employees.
3. The need to foster the Group's business relationships with regulators, suppliers, customers and other stakeholders.
4. The impact of the Group's operations on the community and the environment.
5. The imperative of the Group maintaining a reputation for high standards of business conduct and ethical behaviour and the need to act fairly in respect of shareholders and other stakeholders.

Engaging with the business on strategic matters

The Board is responsible to shareholders and other stakeholders for creating and delivering sustainable value through oversight of the management of the Group's businesses, while nevertheless maintaining its independence. It provides overall strategic direction within a framework of rewards, incentives and controls. A key role played by the Board is to ensure that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short- and medium-term performance.

In addition to engaging with management through various committees, the Board receives regular strategy execution updates. A detailed strategy update on all business areas was presented in October 2019 with a view to informing the medium-term plan (budget) approved in December 2019.

Engaging with stakeholders on environmental, social and governance matters

In 2019, various matters were discussed with stakeholders, including our regulators, and shareholders. Engagements covered leadership succession; transformation; industry exposures and risk; climate change and its impacts; customer service; and fraud and corruption.

Driving innovation

Information and technology are central to our competitiveness, growth and sustainability and form part of our Board's annual governance objectives 20. Our information and technology strategy is aimed at enhancing the stability, security, resilience and competitiveness of the Group's information systems and technology infrastructure. Our refreshed digital strategy takes into account global trends and the Group's changing competitor landscape. We will drive innovation through the build-out of our strategic digital partnership ecosystems.

Preventing financial crime

We strive to combat money laundering, corruption and terrorist financing, and constantly enhance our control environment to reduce the risk of our employees or customers breaching legislation when dealing with the Group. The same is expected from employees and any third parties providing services to or on behalf of Absa. Corruption continues to have a wide economic impact on society, leading to an increased need for business, in particular, to maintain financial discipline, ensure appropriate conduct and increase the rigour with which it monitors and reports financial crime. Fraud is a standing matter on the agenda of the Group Audit and Compliance Committee. The committee receives regular reports which include the gross and net fraud losses as well as lessons learnt on the most material losses.

Risk and control oversight

The Board is responsible for ensuring that management maintains an effective risk management and oversight process.

The extent to which we can monitor and effectively manage the material matters that have the potential to affect the sustainability of our business, is directly linked to our value-creation efforts. The Board ensures that management maintains a system of internal controls to deliver accurate results and to comply with laws and regulations. In carrying out these responsibilities, the Board must have regard to what is appropriate for the Group's business and reputation, the materiality of the financial and other risks inherent in the business, and the relative costs and benefits of implementing specific controls.

The Board approves the Group's Enterprise Risk Management Framework, incorporating the principal risk and key risks, as well as the Group's risk appetite. It then monitors the implementation of both, and approves key risk frameworks, through its committees. Capital, funding and liquidity are key areas that are constantly reported on and monitored. The complexity of the Separation and the related brand changes in Absa Regional Operations saw increased testing and focus on liquidity management, both to provide comfort to the regulators and to ensure business readiness. The Board further receives reports on under utilisation and over utilisation of risk appetite, as well as on triggers, limits and management actions.

Continuous consideration of the risks and opportunities in the Group's business environment and appropriate management thereof, creates and protects value for stakeholders. In terms of environmental, social and governance risks, our Social and Ethics Committee assesses management's response to customers, labour, conduct and ethics within the Conduct Risk Framework. The Committee is also overseeing the expansion of our environmental risk management approach.



Good governance for value creation continued

Stakeholder relations

The Board and management proactively engage with material stakeholders and address their concerns in the best way possible. Collaboration is important to the Group's approach, and strategic partnerships are driven with like-minded stakeholders. In 2019, the Social and Ethics Committee considered and approved a revised stakeholder strategy and policy, and management approved a related Business and Professional Association Standard.

Remuneration

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

Corporate citizenship

The Board accepts accountability for the Group's impact on the environment, for evolving as society changes and for ensuring that we comply with laws and regulations. In 2019, the Social and Ethics Committee deliberated the activities within the Group's Sustainability, Transformation and Citizenship programmes alongside aspects of employee and customer relations.

Accountability and transparency

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

Conflict of interest

Policy: Directors are required to declare any actual or potential conflict of interest immediately when they become aware of such a situation.

Directors have a responsibility to avoid situations that place, or are perceived to place, their personal interests in conflict with their duties to the Group. Before each meeting, each director submits a declaration of interest form, outlining his/her other directorships and personal financial interests, including those of their related parties.

Where actual or potential conflicts are declared, we implement a recusal procedure and affected directors are excluded from discussions and any decisions on subject matter related to the declared conflict. We consider actual and potential conflicts of interest in the annual assessment of directors' independence.

Board diversity

Approach and policy: The magnitude and complexity of the Group influences our Board's composition and we strive to have an appropriate balance of diversity to ensure robust governance, keen commercial decision-making and strong technical inputs. The Board regards diversity of perspectives at Board level essential to provide effective oversight over the setting and execution of strategy and the creation of value for stakeholders.

We assess diversity against skills and expertise, independence, gender, age and race, as well as against tenure and the requirements of relevant regulations. Our Board review takes tenure and succession, retirement, resignation, skills and Board evaluations into account.

The Board considers a range of factors in the selection of candidates for appointment to the Board. As an African financial services group, the Board also recognises the benefits of having Board members who are from countries outside South Africa.

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. We regularly review our race and gender targets. Other diversity measures, including skills, educational qualifications and age, will continue to be tracked and reported.

As a result, 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 good discussion, debate, input, challenge and thoughtful outcomes.

The Board also monitors the race and gender diversity of employees at all levels across the business.

Independence

Policy: The Board must have a majority of non-executive directors, of whom the majority are independent.

We seek to promote diverse mindsets and opinions. All directors must exercise their judgement independently, irrespective of their independence status. Independent non-executive directors are assessed annually in relation to the JSE Listings Requirements and King IV recommendations. The directors assessed in 2019 maintained their independent status. We also reassessed independence in early 2020 and conducted a detailed time and capacity assessment, as recommended by the South African Reserve Bank Governance Directive 4 of 2018. In terms of this directive, a board member whose tenure exceeds nine years will no longer be considered independent.

Independence



Skills and expertise

Approach: Members must have the highest levels of integrity, deep understanding of governance, appropriate technical, financial and non-financial knowledge and interpersonal skills. Skills and experience in banking, risk and capital management, technology, commercial and industrial, accounting, legal and human resources, are required of the Board as a collective.

New directors receive comprehensive induction training tailored to their needs. This includes engagement with customer-facing business leaders and functional executives in the areas of risk, finance, treasury, credit, human resources, compliance, legal and internal audit to ensure a holistic understanding of the Group.



Good governance for value creation continued

Directors are, on an ongoing basis, provided with training and briefings on relevant topics so that they stay abreast of developments in the regulatory, technology, corporate governance, socioeconomic and business environments.

In 2019, the Board participated in sessions relating to data protection, cyber risk, climate change forecasts, insights into sensitive sectors such as mining, conduct-related legislation, land reform matters, lessons learned from corporate failures, and the difficulties experienced by state-owned entities. Particularly insightful were the lessons learnt from the Australia Royal Commission into banking conduct. More general upskilling by way of presentations and electronic reading material is distributed to directors throughout the year. Topics in 2019 included the World Economic Forum 2019 Global Risk Report, the International Labour Organization Global Commission on the future of work, and various climate-related and power generation matters.

Over the past year, we continued to strengthen and refresh our Board skills and experience, specifically in technology, strategy development, human resources and sustainability.

Skills and experience

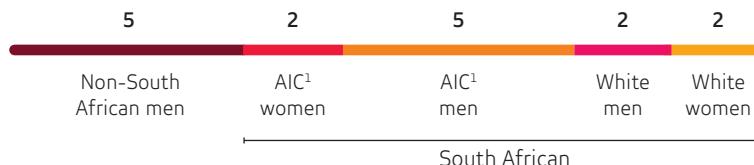
Banking	8
Commercial enterprises	6
Credit	9
Financial/accounting/audit	9
Governance	16
HR/reward	8
Information technology	3
Large-scale organisation leadership	8
Legal	3
Risk management	9
Strategy development	11
Sustainability/Environmental, Social and Governance	8

Race and gender

Policy: The targets for race and women representation are set at a minimum of 40% AIC¹ and 30% women.

25% of the Board are women and 44% are AIC¹.

Diversity



Tenure

Policy: There is a staggered rotation of Board members to ensure sufficient knowledge, skills and experience and to maintain continuity, while also introducing new expertise and perspectives. Directors serving over nine years are subject to annual re-election.

Length of service is reviewed as part of our succession planning. The balance of longer-serving directors and recent appointees provides a combination of Group-specific experience and fresh challenge. Mohamed Husain, having served for over 10 years, will be retiring at the Group's annual general meeting in June 2020, while Colin Beggs will stand for re-election as a non-independent non-executive director.

Tenure



Age



Average age 58 years

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.

Corporate governance framework

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

Group Governance Framework

The Framework standardises the application of policies and standards and 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.

The Group Governance Framework clarifies the roles and responsibilities of the Group and subsidiary boards, the proportional application of King IV by subsidiaries and the management of discretion limits across the Group. Our subsidiary banks and other material subsidiaries adopted the Group Governance Framework during 2019.

Subsidiary management teams must report to the legal entity's board on a regular basis so that the board can comply with its fiduciary responsibilities and local regulatory requirements, while also monitoring business performance; matters affecting the risk profile, risk appetite and control environment; and matters of citizenship, ethics and stakeholder relationships. As a shareholder, the Group is involved in considering the material decisions of our subsidiaries, although ultimate approval rights rest with the subsidiary boards.



Good governance for value creation *continued*

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

Regular engagements take place between the Group Chairman and the chairs of major subsidiary boards to discuss both strategic and operational matters. Our Chief Executive: Absa Regional Operations, Peter Matlare, engages with the subsidiary bank boards and the regulators across the continent in order to manage business performance, regulatory relations and Separation-related activities.

The Board Charter

The Charter is the foundation of the Group's governance principles and practices and is refreshed annually. It outlines expectations for directors, the mandate of each Board committee, the criteria for assessing director independence, key matters for Board approval, and cooling-off periods.

It provides guidance to directors on their other directorships and delineates the roles of the Group Chairman, Group Chief Executive, Lead Independent Director, non-executive and executive directors. We have a suite of policies for authority levels, risk conduct/culture, conflicts, and share dealing, which the Board or its committees regularly review and approve to formally embed good governance and the right behaviours in the organisation.

Board governance outcomes

Board objectives reflect the most important focus areas for the year. The Board therefore undertakes a self-assessment process through a careful review of the committee work and the matters considered by the Board - in particular of strategic matters, deep dives and the reports of the Group Chief Executive, Group Financial Director and Chief Risk Officer - to determine the extent to which the Board's governance objectives are being met. The approach considers the extent to which the Board and its committees were able to engage with, test and challenge the content in relation to the actual outcomes for the Group.

2019 Board objectives self-assessment outcomes

1. Oversee the progress in the execution of the approved medium-term plan: **full achievement**.
2. Oversee the technology change that is taking place in the Group with a view to ensuring an optimised customer experience and sustainable benefits realisation: **substantial achievement**.
3. Monitor and assess our progress with respect to diversity, the renewed values, and the culture: **modest achievement**.
4. Oversee the execution of the Separation programme in regard to its impact on customers, people, brand and technology: **full achievement**.
5. Monitor the Group's activities that contribute to shaping society: **modest achievement**.

Rationale for ratings

Full achievement was given where numerous key matters were presented to the Board and its committees in various reports, which demonstrated substantial progress and enabled a high level of review and monitoring.

Substantial achievement was given where reporting to the Information Technology Committee was sufficient to allow the Board to assess management's progress. It was noted that the optimisation of the customer experience and sustainable benefits realisation remained a work in progress.

Modest achievement was allocated for:

- Playing a shaping role in society: there has been good progress in developing a Group Sustainability Policy and a Coal Financing Standard. Although there was slower-than-planned progress on the establishment of the Absa Africa Foundation and in supporting certain more systemically significant activities, such as upholding the Constitution, we continued to support our existing corporate social investment programmes and also substantially increased our spend on education and employment opportunities.
- People and culture: where additional work is required in terms of people risk, talent and leadership development, career path development and the target operating model for the Group generally. The culture strategy update was deferred to the first half of 2020, but there has been notable progress in instilling Absa's Values. While there was slow progress in addressing B-BBEE gaps, there was substantial engagement at committee level. We moved to a B-BBEE Level 1 in 2019, with a highlight being the 3 564 work placements for previously unemployed youth through YES. We recognise there is more to do in other areas of our B-BBEE Scorecard.

2020 Board objectives

1. **Corporate strategy:** oversee the execution of the approved medium-term plan, including the short-term plan for 2020, within the framework of the control environment.
2. **Technology:** oversee the technology change that is taking place in the Group with a view to ensuring the consistent provision of services, an optimised customer experience and sustainable benefits realisation.
3. **People and culture:** monitor and assess our progress with respect to:
 - i diversity in all our geographies
 - ii our renewed values
 - iii the adoption of The Absa Way Code of Ethics and related ethical practices
 - iv the culture shift
 - v talent strategy
 - vi performance and reward.
4. **The Separation:** oversee the final execution of the Separation programme and its impact on customers, people, brand and technology.
5. **Playing a role in Africa's growth and sustainability:** monitor the Group's role in being a force for good in the areas of environmental, social and governance, including:
 - i sustainability
 - ii constitutional support
 - iii community development
 - iv activities that generally contribute to playing a shaping role in Africa's growth and sustainability.



Good governance for value creation continued



Directors' Affairs Committee

"One of our priorities was the selection and appointment of the new Group Chief Executive."

Wendy Lucas-Bull

2019

Board and leadership: Appointed four non-executive directors to continue to enhance the independence and diversity of the Board and manage Board succession. Part of this process involved the mapping of existing and required skills to guide Board deliberations and to inform the identification of suitable candidates. In addition, succession planning reviews including 'emergency'; 'ready now'; and 'ready in 1-2/3-5 years' for executive management, were deliberated.

A priority was the selection, and appointment of the new Group Chief Executive. The process involved mandating an international search agency, considering shortlisted candidates, and engaging on the outcomes of assessments.

For the Absa Africa Foundation, considerations included the composition and potential board candidates and the memorandum of incorporation. Issues to be addressed included the objectives of the Foundation, potential partners, and practical matters such as the governance arrangements between countries.

Governance policies: Received updates on the adoption of the Group Governance Framework, with all subsidiary banks and other regulated subsidiaries having adopted the Framework in 2019. The implications of key regulatory and legislative developments, including the South African Reserve Bank Directive 4/2018, were considered. Following this, the Committee enhanced the Board Charters for both the Group and Absa Bank for approval by these boards, in order to provide more detail on matters such as independence and the cooling-off periods for executives and non-executives.

Subsidiary boards: Received regular updates from the Absa Regional Operations Chief Executive on (i) progress towards improving overall skills sets, filling vacancies and improving succession planning of subsidiary banking boards; (ii) a review of directors and chairmen with a tenure of eight years or more; (iii) Absa Group senior managers suitable to fill Group nominee roles on the subsidiary boards; and (iv) proposed fees for subsidiary bank non-executive directors.

Board effectiveness review: Following the results of the independent 2018 Board and committee effectiveness review, action plans were implemented and monitored. Progress was observed in succession planning, the introduction of new customer metrics and our focus on sustainability.

Reputational risk: Actively engaged on reputational risk matters, monitored interactions with our regulators across the continent, and considered all investigations which posed actual or potentially significant legal, regulatory, financial or reputational risk. We further considered (i) any issues for noting from the Exit and Onboarding (Client) Committee; and (ii) the Group's assistance to the Judicial Commission of Inquiry into Allegations of State Capture.

In 2020, the Committee will:

- Work with the Group Chief Executive on executive succession and other governance matters supportive of the strategy.
- Consider matters of reputational risk.
- Continue to assess Board and committee composition, succession planning and matters of relevance to corporate governance.

Stakeholders	Strategy elements	Principal risks
Employees Investors Regulators	Thriving organisation Role in Africa's growth and sustainability	Conduct Business Legal



Our Board as at 20 March 2020

Independent directors



Wendy Lucas-Bull⁶⁶
BSc
Independent Chairman
Chair: Directors' Affairs and Separation Oversight Committees
Six years



Colin Beggs⁷¹
BCom (Hons), CA(SA)
Chair: Group Audit and Compliance Committee
Nine years



Ihron Rensburg⁶⁰
BPharm, MA (Political and Organisational Sociology), LLD, PhD (International Development Education)
Five months



Sipho Pityana⁶⁰
BA (Hons), MSc
Ten months



Mohamed Husain⁵⁹
BProc
Lead Independent Director
Chair: Social and Ethics Committee
11 years



Daisy Naidoo⁴⁷
BCom, CA(SA), MAcc (Tax)
Three years



Alex Darko⁶⁷
MSc (Management Information Systems), FCCA
Chair: Remuneration and Information Technology Committees
Five years



Francis Okomo-Okello⁷⁰
LLB (Hons), Dip (Law), Certified Public Secretary
Five years



Mark Merson⁵¹
MA (Hons), ACA
Chair: Group Risk and Capital Management; Board Finance and Group Credit Risk Committees
Six years



Rose Keanly⁶¹
BCom (Hons), BSc
Six months



Tasneem Abdool-Samad⁴⁶
BCom, CA(SA)
Two years



Swithin Munyantwali⁵⁷
BSc, LLD, LLM
Six months

Board member biographies can be found at www.absa.africa

Board changes since the 33rd annual general meeting

Additions: Daniel Mminele, Ihron Rensburg, Rose Keanly and Swithin Munyantwali

Stepped down: René van Wyk¹

Board changes scheduled for the 34th annual general meeting

For election: Daniel Mminele, Ihron Rensburg, Rose Keanly and Swithin Munyantwali

For re-election: Colin Beggs², Wendy Lucas-Bull, Mark Merson, Tasneem Abdool-Samad, Daniel Hodge and Jason Quinn

Retirement: Mohamed Husain

¹ Served as Group Chief Executive between the retirement of Maria Ramos and the appointment of Daniel Mminele. He is currently on a six month cooling-off period.

² Colin Beggs will stand for re-election as a non-independent non-executive director at the 2020 annual general meeting.

³ Previously an independent director for five years.

Non-executive director



Daniel Hodge⁴⁶
ACA, MA (Hons)
Two years

Executive directors



Daniel Mminele⁵⁵
Associate Certificates (Chartered Institute of Bankers), German Banking Diploma
Group Chief Executive
Two months



Peter Matlare⁶⁰
BSc (Hons), MA (SA studies)
Deputy Group Chief Executive and Chief Executive: Absa Regional Operations
Eight years³



Jason Quinn⁴⁵
BAcc (Hons), CA(SA)
Group Financial Director
Chair: Models Committee
Three years



Board committees

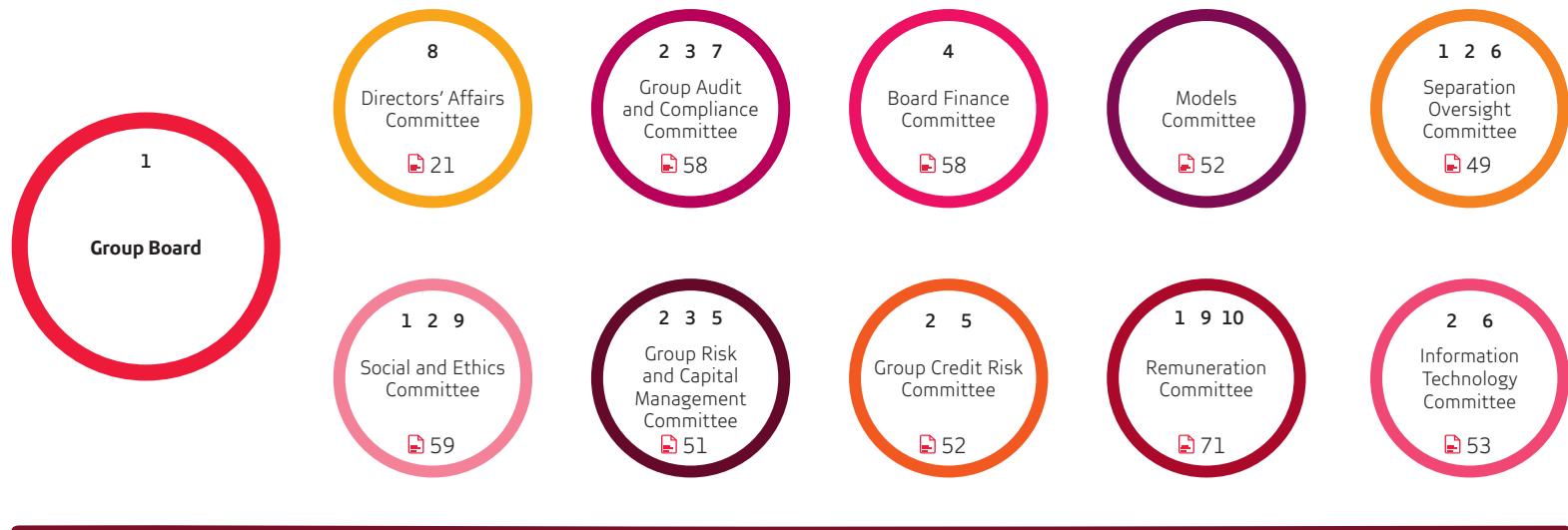
Committees assist in the execution of the Board's duties and responsibilities, with each committee comprising suitably skilled directors.

Each committee chair provides written and verbal feedback at Board meetings and the Group Chairman reports back on engagements with the chairs of material subsidiaries.

Attendance is an important factor in the Board's ability to discharge its duties, and responsibilities and care is taken in preparing the Board calendar to enable meeting attendance. If a director is unable to attend a meeting, an apology is recorded and, if possible, he/she makes written or oral contributions ahead of the meeting. We expect, and receive, significant commitment from our Board members.

The Executive Committee, and its various committees, report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums.

The colour codes and numbering in the infographic indicate the primary lines of reporting of the Executive Committee and its executive committees to the Board and Board committees.



Number of Board and committee meetings
91
(2018: 69)

Attendance
95%
(2018: 97)

✉ 2020 Notice of Annual General Meeting
(detailed committee attendance)



Executive leadership as at 20 March 2020



Daniel Mminele⁵⁵
Group Chief Executive
Two months



Peter Matlare⁶⁰
Deputy Group Chief Executive
and Chief Executive: Absa
Regional Operations
Three years



Jason Quinn⁴⁵
Group Financial Director
Three years



Arrie Rautenbach⁵⁵
Chief Executive: Retail and
Business Banking South Africa
Four years



August van Heerden⁵⁹
Chief Risk Officer
Two years



Akash Singh⁴⁶
Group Chief Compliance Officer
Three months



Bongiwe Gangeni⁴¹
Deputy Chief Executive:
Retail and Business Banking
South Africa
Two years



Charles Russon⁵³
Chief Executive: Corporate
and Investment Bank
Five years



Charles Wheeler⁵⁵
Group General Counsel
Seven years



Paul O'Flaherty⁵⁷
Chief Executive:
Engineering Services
One year



Roze Phillips⁵⁰
Group Executive:
People and Culture
One year

Changes during the year

Appointed: Akash Singh, Daniel Mminele and Roze Phillips

Stepped down: René van Wyk¹ and Yasmin Masithela

Resigned: Nomkhita Nqwени

Retired: Bobby Malabie

¹ Served as Group Chief Executive between the retirement of Maria Ramos and the appointment of Daniel Mminele. He is currently on a six month cooling-off period.

100 years of combined experience at Absa

Tenure on the Executive Committee



Tenure at Absa



Age



Diversity



Executive Committee member biographies can be found at www.absa.africa

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.



Outgoing Group Chief Executive's message



René van Wyk
Outgoing Group Chief Executive

Headline earnings rose 1% to R16.3bn¹

Return on equity decreased to 15.8%
from 16.8%¹

Revenue grew 6% to R80.0bn¹

Operating expenses rose 6% to R46.4bn¹

Total dividend increased to R11.25 per share

¹ Normalised.

In 2019, we continued to transform our business while delivering the successful execution of the Separation from Barclays.

We began restructuring and re-engineering in 2018 and these efforts continued through 2019. We were focused on removing bureaucracy, breaking down silos and making our businesses more agile. We have given our teams more autonomy to determine how they will grow in each business within the overall risk appetite of the Group. We have also ensured that our business operating models and governance frameworks bring leaders increasingly closer to their teams and customers, and that frontline employees are empowered to provide immediate solutions to their customers and clients.

To achieve sustained above-market growth, we focused on these priorities in 2019:

1. Regain franchise health in Retail and Business Banking South Africa (RBB SA) and better serve customers across their life stages in order to retain them.
2. Drive an integrated bancassurance delivery model between Wealth, Investment Management and Insurance (WIMI) and RBB to leverage the capabilities and resources of the bank to deliver efficiencies.
3. Deepen our core Corporate and Investment Bank (CIB) capabilities, coverage model and integrated banking solutions across Africa.
4. Deliver the Separation successfully in Absa Regional Operations (ARO) and CIB Africa through the prioritisation of the delivery of 2019 change project.
5. Enhance digital customer enablement through end-to-end self-service.

1. Regain market share in RBB SA

In 2019, RBB focused specifically on '*getting closer to the customer, closer to colleagues and in control of the business*'. From my visits to branches, call centres, regional offices and operations, it was evident that these adjustments had infused energy and excitement about our transformational journey.

Our efforts in getting closer to the customer have started to bear fruit and we grew our customer base by 1% to 9.7m, while maintaining customer primacy and improving cross sell to existing customers. Key value drivers have shown strong momentum, specifically in lending and saving. We are comfortable that we will be able to meet our ambition of moving out of the 'fix' phase by the end of 2020.

The deliberate focus on the customer, the alignment of internal processes and improved credit strategies have changed the trajectory of the RBB business in terms of both the balance sheet and the quality of earnings. This is not yet fully reflected in RBB's results given the impact of once-off costs and IFRS 9 new business strain. The balance sheet production has shown double-digit growth across most of our portfolios, resulting in market share gains in retail advances. The positive momentum we saw in deposits in 2018 continued and resulted in market share uplift.

2. Integrated bancassurance

The focus on a client centric growth strategy and delivering optimally on our customer needs, identified the need to further align the retail businesses of RBB SA and WIMI. Our customers and the customer touch points, across these two value chains are largely the same and so these two businesses have been integrated into a combined RBB SA business. Leveraging this universal banking product model resulted in improvements in product holding per customer and improved service levels which was recognised by being placed first in two independent customer service surveys.

3. Deepen our core CIB capabilities

CIB established a new operating model in 2019 to support the ambition to become a leading pan-African corporate and investment bank. The focus was on expanding our regional and global reach in order to serve our corporate and institutional clients through an international presence.

In January 2019, we signed a collaboration agreement with Société Générale in order to extend our geographical reach and expand our product offering. This agreement contributed to several deals in the Investment Bank and two successful joint client events. Following the establishment of our United Kingdom presence in 2018, we received United States regulatory approval for our representative office in New York.

CIB delivered a resilient performance despite a challenging local, regional and global economy. The benefits of our diverse portfolio were evident by double-digit growth across most of our markets offset by the shortfalls in South Africa and Mauritius. The business showed positive signs of growth with client franchise revenues growing by 5% and 97 new-to-bank client acquisitions.

4. Deliver Separation successfully

The Separation which was 90% complete as at 20 March 2020, catalysed our strategic and cultural reset and significant progress has been made. The modernisation of our ARO technology infrastructure and strengthening of skills and capabilities in key areas, such as local support and cyber risk, was a significant focus.

Key successes achieved in 2019 include:

- The migration of the Absa Regional Operations core banking system, from the United Kingdom to South Africa, impacted 10 banks and was the largest ever data and systems migration for customer- and employee-facing channels in Africa. This included an upgrade of infrastructure and transfer of knowledge to local support resources, allowing more rapid changes and leading to an enhanced customer and employee experience.
- ARO digital channels were separated from Barclays in May, delivering upgraded infrastructure as well as enhanced monitoring of our infrastructure and banking apps. Enhancements were made to the mobile banking app for Mozambique, Tanzania NBC and Uganda, which included fingerprint scanning for enhanced security, simplified sign-on procedures, a more intuitive menu and simplified processes.
- The implementation of a transformative financial crime solution for Absa, which is essential to combatting financial crime.
- The rebranding and beginning to legally trade as Absa in Mozambique and Uganda in November 2019, followed by Botswana, Ghana, Kenya, Mauritius, Tanzania (excluding NBC), the Seychelles and Zambia in February 2020.
- The deployment our new digital human resources system platform called Workday, which was a key milestone. This resulted in our operations across all countries being integrated onto a single human resource management system for the first time.

We are confident that we will meet the Separation deadline of June 2020 in time and on budget.

The Separation is a complex programme of unprecedented scale. With the winding down of the Separation the highly skilled teams have been deployed to other areas of our business. The skill sets and experience gathered during the Separation, have significantly improved change delivery and management, as well as enhancing efficiencies in the Group.



5. Enhance digital customer enablement

To enhance digital customer enablement, we focused on transforming our current business by making it more open, cost-efficient and connected, improving our ways of working so that we could be faster and orientated for customer growth support with digital, customised offerings.

Building a digital business requires deep insights into customer needs so that we can fulfil those needs. We have used our Absa Mobile Banking App to actively engage our customers on their experience and, as a result of the improvements we have made, ours has been rated the number one banking app in South Africa. Some of the new capabilities we added included Western Union funds remittance, fixed deposit account opening and in-app account opening for first-time customers. We also introduced a digital fraud warranty – a first in market protection for customer in the event of digital fraud.

For our CIB clients, we increased the number of value propositions and expanded service functionality on Absa Access, which provides a single digital access point for all CIB products. We are migrating our CIB clients off our legacy channels and we will add more propositions on Absa Access in 2020.

Across our digital platforms, we continued to gain steady traction around digital adoption and transaction volumes. In RBB, digital adoption went up to 34.5%, with digitally active customers increasing 13% year-on-year. Digital adoption in ARO RBB and CIB are 27% and 17%, respectively.

A key enabler of our digital transformation is the development of the future skills required from our employees. We are therefore, exploring potential partnerships to enhance the development of future technology, security and data skills within our workforce, which will further enhance our current self-learning options.

Creating value beyond financial services

Over and above the execution of our 2019 strategic priorities, we have a clear focus on playing a shaping role in Africa's growth and sustainability. We are alert to the socioeconomic challenges in all of the countries in which we operate, recognising that our growth is linked to the prosperity of communities. As such, our focus in 2019 included supporting communities and entrepreneurs of all races and gender. As we do this, we believe that we will have the desired positive impact in our communities.

We launched Force for Good, an internal portal to support our employees' regular volunteer work. We further continued to provide thought leadership on a range of topics and platforms such as the World Economic Forum in Davos and Cape Town, and launched several initiatives to combat gender-based violence.

To demonstrate our commitment to the safety and security of our customers, we implemented phishing automation which has resulted in phishing sites being blocked within an hour. Our new cyber security joint operating centre is monitoring malicious behaviour around the clock.

Environmental changes, including climate change, present a growing risk to the natural environment as well as the social and economic fabric of society. Acknowledging this risk, as well as the opportunity to effect change, we became a founding signatory to the UNEP FI Principles for Responsible Banking. Led by an Executive Committee sub-committee, we have finalised a sustainability policy which sets out our broad sustainability approach and a standard which provides specific guidelines for coal-related financing. Looking ahead, we will add standards for financing other climate-sensitive sectors.

Conclusion

While these results reflect our progress, we cannot become complacent. We need to do more and to do it faster in order to achieve our ambitions. I am confident that, if we continue to work as a team and stay committed to our priorities, we will succeed.

Most of all, I am inspired by our talented and passionate team, which is committed to realising our purpose. I am grateful to the Board who provided invaluable guidance and leadership. I would like to thank all of our employees for their hard work and dedication while I was Group Chief Executive.

I am excited about the appointment of our new Group Chief Executive, Daniel Mminele. Daniel will lead the Group through its next stage of progress, and I look forward to Absa growing from strength to strength under his leadership.

René van Wyk



Incoming Group Chief Executive's message



Daniel Mminele
Group Chief Executive

“ We will continue to drive the execution of our strategic objectives with agility, and take advantage of emerging opportunities, while managing risks in response to changes in the operating environment. ”



2019 Financial
Results

Personally, I am honoured and humbled by the opportunity to lead Absa at this pivotal and exciting point in its history.

Absa Group, which I am now proud to be part of, made good progress against the strategic priorities set out for 2019. We have made headway towards regaining franchise health in our core businesses in South Africa, and continuing to deliver strong growth from our other markets. That we have been able to achieve this despite a challenging macroeconomic environment in our largest market, speaks to our strength and potential to do better.

One of the Group's most important undertakings over the last three years was the Separation programme. I am pleased to say that we expect to complete it on time and within budget by the end of June 2020. I believe that the execution and change management capability we have gained through the Separation can be leveraged to accelerate the execution of our other strategic priorities.

By February 2020, we had successfully rebranded our operations in all of our African markets. Trading under one brand across the continent is another major step forward on our journey as an independent, pan-African Group.

Attending our brand launches in Ghana and Kenya have been early highlights for me, and the energy and passion I witnessed were a source of encouragement and inspiration as I assume the leadership of Absa.

With a solid foundation in place, I am confident that we can continue to grow to become a leading African financial services group that is committed to the success of Africa. A group with energised and entrepreneurial employees, led by a diverse and competent team, consistently delivering excellent products and services to our customers, while adding value to our other stakeholders. In my short time at Absa, I have already seen that entrepreneurial spirit in our people and their willingness to further succeed.

The banking sector is going through an exciting evolution and disruption that requires that we focus on innovation and agility in order to secure customer-first preference in an increasingly competitive market. Customers and clients expect us to provide products, services and platforms that intuitively respond to their personal and business needs, and to be a partner that understands their present circumstances and invests in insights and knowledge that will help them grow in the future.

An important part of my conversations with the Board prior to joining Absa involved the future direction of the Group, including the strategy adopted. I am comfortable with the strategic choices that Absa has made and believe that they match our growth ambition.

It has been almost two years since the implementation of the strategy, and we are now in a position, within the ordinary course of business, to evaluate whether we are seeing the desired outcomes, and to refine where necessary.

We also operate in a dynamic geopolitical, economic environment, in which the actions of governments in some economies are no longer as predictable as they were before. The continuing macroeconomic challenges in South Africa and other markets in which we do business, require that we sharpen our focus and build the agility required to respond to these challenges in a manner that protects both our business and the interests of our customers and clients. We need to continue engaging constructively in dialogues that are aimed at finding sustainable solutions that are conducive to creating an environment which supports growth, development and prosperity.

The outbreak of the COVID-19 pandemic has dramatically increased the risks that we collectively face as a global community, and will likely materially damage the economic prospects. While we will continue to drive the execution of our strategic objectives, we will need to take into account the impact of the situation as it unfolds and prudently manage our risk appetite.

It is a privilege to lead this organisation and to harness the energy, determination and potential of our almost 38 500 employees to accelerate our business performance and contribution to society.

I would like to thank René van Wyk for his leadership over the past year and I look forward to working with all colleagues, executive leadership and the Board to take Absa forward.

Daniel Mminele

2020 priorities

To accelerate our business momentum and transform our strategic trajectory, we have selected seven key priorities for the year ahead.

1. Accelerate our journey of becoming a thriving, entrepreneurial organisation supported by an enabling organisational architecture and culture.
2. Grow customer and client primacy ahead of the market across our business portfolio.
3. Advance the digital maturity of our business to be competitive.
4. Create new revenue streams by building a market leading payments capability.
5. Complete the Separation successfully.
6. Leverage strategic partnerships.
7. Drive operational efficiencies.

Stakeholder perspectives

To deliver sustainable performance, we balance the needs of stakeholders over the short and long term. It is through these relationships that we meet and create value for the Group and our stakeholders.



Investors

62

Who they are

- Over 22 000 local and international shareholders, including retail, asset managers, pension funds, sovereigns and corporate holdings.
- Investment analysts and prospective investors.
- Debt investors.
- Credit rating agencies: Moody's and Standard and Poor's.

Needs and expectations

- Sustained financial returns.
- Sound risk management that takes operating conditions, competition and opportunities into account.
- Improved efficiencies, while managing strategic investments.
- Completion of the Separation within planned budget and timelines.

How we measure success

- Return on equity.
- Revenue growth.



Customers

63

Who they are

- Individuals: entry-level to high net-worth, across all ages.
- Businesses: sole proprietors; small and medium enterprises; large corporates and multinationals.
- Public sector: local, provincial and national government; state-owned enterprises; and sovereigns.
- 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.
- Trustworthy relationship, safety and protection against fraud encompassing physical and data security.
- Responsible banking with transparent pricing.
- Excellent customer service and advice.
- System reliability and ability to transact through their chosen platform.

How we measure success

- Customer service satisfaction measures such as Net Promoter Score.
- Complaints management performance.
- Market shares.
- Cross-sell ratio.



Employees

64

Who they are

- 38 472 employees (South Africa 28 296, Absa Regional Operations 10 149; international 27).
- 61.1% women and 38.9% men.
- 75.8% AIC¹ employees (South Africa).
- Employee trade unions.

Needs and expectations

- An ethical workplace with opportunities to contribute to society at large and which are supportive of environmental and social sustainability.
- A diverse and inclusive workplace where all employees are treated equally.
- Job security, strong leadership and change management through the Separation and restructuring.
- Fair pay and terms of employment with market-related reward and benefits.
- Training, development and career opportunities.

How we measure success

- Employee engagement.
- A diverse and inclusive workforce.
- Ability to attract, develop and retain talent/critical skills.

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.



Stakeholder perspectives continued

**Society**

62

Who they are

- Individual citizens.
- Civil society, media and non-governmental organisations.
- Suppliers.

Needs and expectations

Contribution to solutions addressing societal challenges as articulated in:

- The United Nations SDGs.
- National development plans.
- Global environmental, social and governance frameworks.

How we measure success

- Recognition for our Role in Africa's growth and sustainability activities including contribution to the SDGs.
- Supplier diversity and localisation.

**Planet**

68

Who they are

- The natural resources on which we, and our stakeholders, depend.

Needs and expectations

- Proactive management of the environmental and societal impacts of our business to encompass lending practices and our operational footprint.
- Mobilising funds to support the transition to a low-carbon economy.

How we measure success

- Carbon emissions per full-time equivalent employee.
- Resource use and waste management.
- Share of lending to low carbon economy and environmental risk management.

**Regulators**

70

Who they are

- South Africa: South African Reserve Bank including the Prudential and Financial Sector Conduct Authorities; National Credit Regulator; South African Revenue Service; National Treasury; Financial Intelligence Centre; the National Payments System Department, Financial Surveillance Department and the JSE.
- Absa Regional Operations: Central Banks/banking regulators; capital markets, securities and revenue authorities; insurance regulators and local stock exchanges.
- Other relevant government departments including, but not limited to, labour, health, trade and industry.

Needs and expectations

- Compliance with all relevant laws and regulations.
- Financial system stability spanning financial soundness to fair treatment of customers.
- A business responsive to regulatory change.
- An ethical work environment.
- Contribution to government development plans and national priorities (such as transformation and job creation) and to the fiscus through fair tax payments.

How we measure success

- Effective compliance with regulatory change.
- Strong capital and liquidity levels.



Market drivers, risks and opportunities (material matters)

Material matters and our report boundaries

Our ability to create value is impacted by a multitude of factors, including the operating environment, our responses to the risks and opportunities and our chosen strategy.

Strategic ambition

Our corporate strategy was developed after making deliberate choices about the kind of organisation we want to be, as well as about the shifts required. Our aim is to:

- Focus on growth and sustained high returns.
- Build an African organisation with globally scalable platforms.
- Become customer obsessed.
- Build a culture of inclusivity, diversity, entrepreneurship and ownership.
- Transform into a digital organisation.
- Become an active force for good in society.
- Maximise the potential of our current portfolio while simultaneously exploring new opportunities and disposing of non-core assets.

Our strategy rests on the goal of sustainable growth by bringing possibilities to life.



1. Identify and assess

Our integrated planning factors in who we are, our capabilities, our strategic ambitions and our operating environment. We consider our current and future resource needs and our stakeholders' legitimate needs across the Six Capitals.

Our stakeholders' expectations / concerns can be summarised as follows:

All stakeholders Ethical behaviour, sound governance, and active management of environmental and social concerns. Strong risk management encompassing fraud, technology and cyber risks, and climate change. Contribution to transformation, diversity, inclusion and socioeconomic upliftment.

Customers Convenient, safe and reliable financial products and services delivered in a fair and responsible manner.

Employees Fair reward and recognition, personal and professional development opportunities and an enabling workplace.

Regulators and government A stable financial services industry, fair treatment of customers and the efficient execution of regulatory change.

Society Contribution to solutions addressing societal challenges as articulated in the United Nations SDGs such as economic growth, financial access, constitutional support and education.

Planet Responsible consumption. Active management of climate-related risks and support for the transition to a low-carbon economy.

Investors Separation, strategic execution and sustainable returns.

2. Prioritise and plan

We consider the key matters within the context of:

- Our strategic ambition as outlined alongside.
- Our purpose, goal and values.
- Our business model, current strategy and approved risk appetite.

The prioritisation of operational requirements, strategy and change initiatives consider the following:

- Potential opportunities.
- Current and anticipated economic and socio-political conditions.
- Stakeholders' perceptions and expectations.
- Resource needs and the relative availability of resources.
- Company-specific events e.g. Separation from Barclays and changes to the business model.
- Mandatory regulatory-driven requirements.

Potential opportunities are assessed within our risk appetite framework to ensure a balanced approach between future growth and responsible risk management. We also consider possible changes and refinements to our strategy and our business model to remain relevant and competitive.

An important part of our integrated planning process is to consider the identified matters in light of:

- The trade-offs between possible responses;
- Timing and execution requirements;
- The likelihood and magnitude of the effect of these matters; and
- The importance to, and impact on, our strategy.

Our material matters are outlined on the pages that follow.

3. Respond and monitor

Our strategy rests on the goal of sustainable growth by bringing possibilities to life. To achieve this, we identify specific actions to ensure we respond appropriately to our material issues. Our progress, including metrics against which we measure ourselves, are monitored by our executive committee as well as our Board and the various Board committees in accordance with their terms of reference.

4. Report

Integrated reporting

The focus is on the matters which have or could materially impact on our ability to create value in the short, medium and long term as envisioned in the International Integrated Reporting Council's <IR> Framework. This encompasses:

- Current and future risks and opportunities;
- Material matters and our responses, including qualitative and quantitative disclosures;
- The relevance to our strategy and the influence on our business model; and
- The impacts on value created for our stakeholders.

In doing so, our aim is to provide stakeholders with a succinct yet sufficiently informed view of the organisation, the challenges and opportunities we face, and our approach to creating and distributing value.

ESG reporting

This provides more in-depth information on material matters as guided by the relevant frameworks.



Competition and technological change

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

The strategic elements most influenced

- Restore leadership in core businesses.
- Build pioneering new propositions.
- Build a scalable, innovative digital-first business.
- Pursue growth opportunities.

The principal risks most influenced

Business, operational, conduct and technology.

The UN SDGs most influenced



Governance actions

The digital strategy presented to the Board for endorsement, recognises the importance of cyber security as well as collaboration and partnerships. An industry and competitor view was debated along with the digital operating model, focus areas for 2020, and appropriate measures of success. A significant portion of our planned R10bn spend over the next three years is directed towards technological transformation. Progress in terms of the Group's evolving data architecture landscape was reviewed, specifically moving the Group's platform logic into a single platform and decommissioning legacy data warehouses.

Technology trends and disruptive technologies

The future of banking in Africa is changing at an ever-accelerating pace. For established banks, this requires evolution from a paper-based, brick-and-mortar business model to one that truly embraces digital technology for delivering better products to customers, improving risk management and optimising profitability. To remain relevant to customers and operationally efficient, financial services providers are required to reshape their IT infrastructure to include cloud solutions, big data and advanced analytics, mobile technologies, biometrics, robotics, machine learning, and artificial intelligence. Blockchain and cryptocurrencies continue to garner attention and banks continue to partner with fintechs. The adoption of modern tools and techniques is critical for digitisation and innovation, leading to rapid software development and delivery.

In more mature organisations, trends are towards deeper personalisation, nuances and differentiated products and experiences and, in some cases, outright re-invention of the underlying product models.

New banking entrants

Competition stems from rapidly evolving traditional peers, fintech disruptors, digital banks, telecoms both standalone and by partnering with traditional banks. Global technology providers are potentially the greatest threat due to their scale and access to digital and financial resources. While most banks seek to work with fintech disruptors, reaching scale remains challenging. In South Africa, digital banking entrants include Bank Zero, Discovery and Tyme while, in the rest of Africa, 50% of Africans with mobile money accounts do not have any other accounts. Fintech and challenger banks are using greater levels of product customisation, augmented with personalised experiences, to capture a significant share of banking revenue. These fintech start-ups, digital challengers and alternate business models are powered by blockchain, cryptocurrencies, artificial intelligence, data analytics, cloud and agile ways of working, which allows for the delivery of products and services to the market faster.

Cyber risks

In the past five years, the world has seen an unprecedented increase in the number of data breaches, ransomware attacks and malware attacks, as well as increased public sensitivity and regulation that requires greater security rigour. These attacks continue to increase in terms of both co-ordination and sophistication. Although digitisation is essential to remain competitive, the risk of attack increases due to the attractiveness of the amount of sensitive data processed and stored, as well as the critical role banks play in the functioning of payment and settlement systems. Cyber risk is generally accepted as one of the top global risks and the specialist skills market is highly competitive. In Africa specifically, demand for local experts exceeds supply.

Opportunities for Absa

By using technologies such as open source, the cloud, software-as-a-service and modern IT architecture principles, we are transforming our current business into a more cost-efficient and connected operations. Improving our ways of working allows us to become faster and more efficient in delivering a great customer experience. By providing digital, customised offerings and selectively pursuing innovations, we are targeting customer growth and increased revenue. Our big data and advanced analytics capabilities allow us to understand our customers' needs better and to add further value. Partnerships continue to be a key focus as we build our digital propositions.

Key risk and mitigating actions

Should we not be able to keep pace with changes in the industry, or if competitors were to capture a significant share of business, we face the risk of customer, market share and revenue losses. Moreover, it is vital for revenue streams to offset our IT investments in order to achieve our cost-to-income target. As the threats grow, the vigilance with which individuals protect their own personal information and digital interactions must increase, as must the innovative capability of cyber security and threat defence programmes. Our cyber security centre continuously monitors malicious behaviour and our responses are informed by well-established protocols. While we continue to defend against cyber attacks, we are aware of the challenges ahead. Cyber risk falls within our principal risk framework and we continue to strengthen security and crime prevention measures.

39: Performance against our strategy

Regulatory change, risk management and governance

A constantly evolving regulatory environment places additional requirements on the Group, we continue to support efforts to ensure a stable financial services sector and a safe and fair operating environment. A stable and fair financial services industry benefits all stakeholders. We focus on meeting regulatory requirements while balancing customer needs, ensuring that we conduct ourselves in accordance with both the law and our Values. We seek to achieve this balance in order minimise the impact on customers and clients, and on shareholder returns.

The strategic elements most influenced

- Restore leadership in core businesses.
- Build pioneering new propositions.
- Build a scalable, innovative digital-first business.
- Play a shaping role in Africa's growth and sustainability.

The principal risks most influenced

Credit, treasury, operational, conduct, technology and legal.

The UN SDGs most influenced



Governance actions

The various Board committees monitor both current and anticipated regulatory changes within their respective mandates. 2019 reviews included, but were not limited, to bank recovery and resolution; statutory, regulatory and economic capital compositions and levels considering regulatory requirements; stress scenarios; Basel III amendments; latest requirements affecting the high quality liquid asset portfolio; and the Fundamental Review of the Trading Book which comes into effect in 2022. Discussions were also held on the potential impact of non-bank specific regulatory change such as land reform and the National Health Insurance Bill in South Africa.



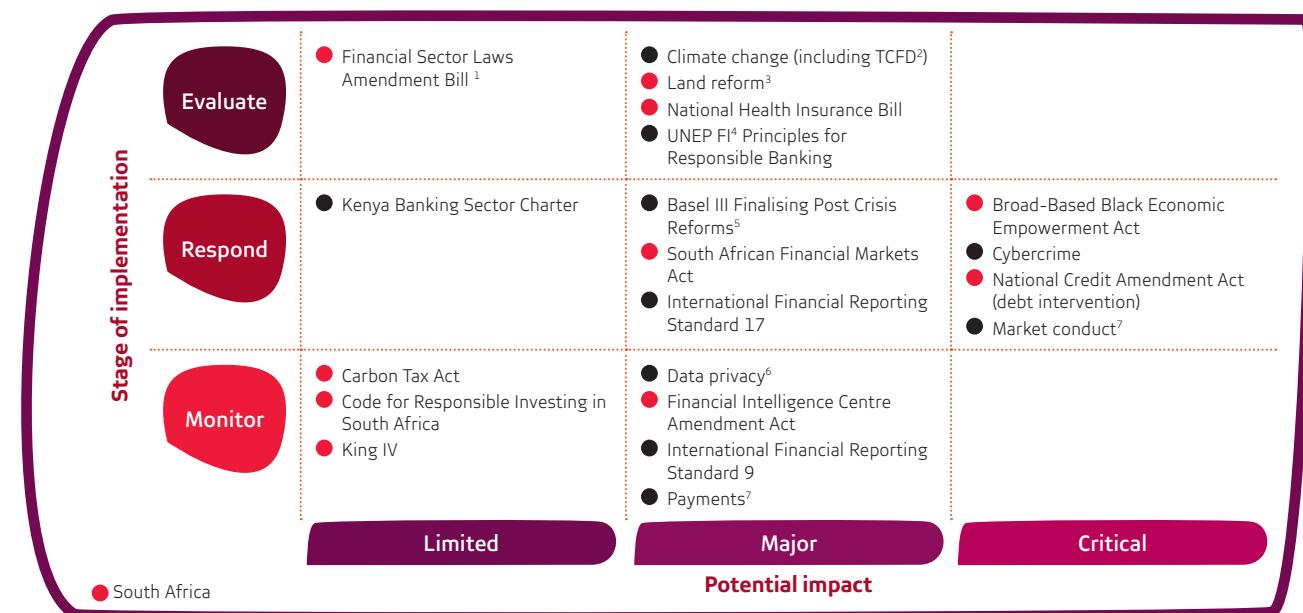
Regulatory change landscape

Compliance with local and international banking regulations is critical for a competitive and sound banking system that enjoys good international standing. Each country's financial system and its ability to interact effectively with the global financial system is key for economic growth.

Various laws, regulations and codes define expectations of how we conduct our business. These encompass a wide array of aspects within our business, from fighting financial crime and money laundering to the protection and

processing of information, as well as how we design and sell our products and services. The regulatory landscape has a wide-reaching impact on our business and customers, influencing our operations as well as our products and services.

The graphic below illustrates this regulatory environment, the stage of implementation and the impact on our operations. In this section, we discuss the most material regulatory items.



¹ Resolution Bill, Deposit Insurance Scheme and Insolvency Act (South Africa)

² Taskforce for Climate-Related Financial Disclosures.

³ Amendment to section 25 of the Constitution of South Africa and the Expropriation Bill, 2019 (South Africa).

⁴ United Nations Environment Programme Finance Initiative.

⁵ Basel Committee on Banking Supervision's Standard 239.

⁶ Data Protection Act, 2003 (Seychelles); Data Protection and Privacy Act, 2019 (Uganda); Protection of Personal Information Act (South Africa); The Data Protection Act, 2018 (Botswana).

⁷ National Payments Act (South Africa); Payment System and Services Act in (Ghana); and National Payment System Act (Mauritius).

⁸ Amendments to the Financial Advisory and Intermediaries Services Act, Conduct of Financial Institutions Bill, Draft Banking Conduct Standards, Financial Sector Regulation Act (South Africa), Retail Distribution Review; Financial Market Conduct Bill (Kenya).

Market conduct

Regulations driving consumer protection and ethical behaviour in the financial services industry continue to evolve.

Responsible lending and insurance

Governments in several jurisdictions are enacting or considering legislation to regulate credit extension. Some of these are seeking to reduce consumer indebtedness through the imposition of limits and by ensuring that banks provide more information to credit bureaus. Regulatory matters relating to the limitation of fees and interest rates, maximum costs of credit life and mechanisms for resolving over-indebtedness are another focus of attention for regulators. Other focus areas include debt relief for consumers, which remains topical in South Africa, with engagement between industry and the regulator continuing. South Africa's National Credit Amendment Act provides for the once-off removal of defined adverse consumer credit history, followed by the automatic removal of legal judgments when debts are settled.

Conduct of Financial Institutions Bill

Supporting good customer outcomes is a basic tenet of our conduct risk framework. Once enacted, the Financial Institutions Bill will streamline the legal framework for regulating the conduct of financial institutions and give legislative effect to the market conduct policy approach, including the implementation of the Treating Customers Fairly principles. This will replace conduct provisions in existing sector laws, while building a consistent, strong and effective market conduct legislative framework for all institutions performing financial activities. We have fully participated in the consultation and commentary process to include the Financial Sector Conduct Authority as National Treasury and await feedback.

National Credit Amendment Act (Debt Intervention)

The National Credit Amendment Act provides for the extinguishing of the debt of over-indebted consumers who earn a gross monthly income of less than R7 501 and who have unsecured debt not exceeding R50 000. The banking industry raised several concerns with regard to the Act and its potential negative impact on the industry and consumers. After these concerns had been raised, it was determined that the Act would be implemented in a phased way, beginning in 2021. We continued to engage with the South Africa Department of Trade and Industry and the National Credit Regulator.

Protecting personal information

In various jurisdictions, we are governed by laws that control the processing, holding and security of personal data, and there is an increasing focus on the cross-border processing and storage of data. This requires a careful balance between achieving processing efficiencies and meeting local requirements. We have done extensive work to prepare for the implementation of the Protection of Personal Information Act in South Africa, and we continue to focus closely on the protection of customer data in our Absa Regional Operations, in line with country regulations.



Financial crime

Fighting financial crime and money laundering remains a key focus for all of our regulators. The recently established South African Anti-Money Laundering Integrated Task Force, for example, is a public-private sector partnership in which members are committed to sharing resources and information in an effort to prevent, detect and disrupt financial crime. This will facilitate better reporting, common approaches to tackling financial crime, improved flexibility and agility in addressing threat environments, and enhanced levels of expertise and knowledge for all partners.

Financial stability and prudential oversight

The safety and soundness of financial institutions is vital to economic stability. The focus of prudential regulation and supervision is on ensuring that financial institutions comply with minimum prudential requirements related to capital, liquidity, leverage and other relevant metrics that measure financial health. It is also intended to ensure that they are managed by suitably qualified and skilled individuals.

Absa Banks are designated as systemically important financial institutions

The Group's banking entities are designated as domestic systemically important financial institutions. This brings with it significant ramifications in terms of capital, liquidity, resolution, recovery planning and reporting.

Deposit Insurance Scheme

Under the Financial Sector Laws Amendment Bill, a component of the Resolution Framework is the Deposit Insurance Scheme. Once promulgated, banks will pay deposit insurance premiums and levies on qualifying covered deposits. We await further clarity and continue to engage with the regulators on this issue.

Basel III Finalising Post Crisis Reforms

Basel III includes reforms that impact on the calculation of risk-weighted assets for credit risk, market risk and operational risk, and therefore on the amount of capital that we are required to hold. It further intends to reduce the variability of risk-weighted assets, with a focus on reducing the use of internal model approaches and complementing these with a leverage ratio and output floor. Other reforms include regulators taking greater account of macro-prudential risks across the financial system, enhancing the effectiveness of supervision, and addressing misaligned incentives across a range of areas such as credit rating agencies and bankers' remuneration. We are driving compliance with these regulatory reforms as per the prudential implementation timelines, which range from 2020 to 2027.

Other notable matters

Land Reform (South Africa)

We recognise the role played by colonisation and apartheid in the land dispossession of black people, which has led to current land ownership patterns.

We support the advancement of equitable access to land, yet believe that the various land reform efforts since 1994 have been unsatisfactory. We have participated in the commentary process of the proposed amendment to Section 25 of the Constitution of South Africa and the Expropriation Bill (2019). We maintain it is unnecessary to amend the Constitution as it already allows for expropriation without compensation to take place where 'just and equitable compensation' could range between market value and zero. We are fully committed to contributing to meaningful and faster land reform in South Africa, but this must be done in a manner that does not trigger unintended and negative consequences. Reform should balance the needs of current and future private land owners, beneficiaries, government and the financial sector. We await the outcome of the legislative process currently underway.

Carbon Tax

The South African Carbon Tax Act was passed in Parliament in February 2019 and will be implemented in a phased approach, with the first phase extending from June 2019 to December 2021, escalating at 2% above the consumer price index annually. The impact is anticipated to be low owing to carbon allowances and offsets, which will result in an effective tax rate of between R6 and R48 per tonne (down from R120). It is anticipated that, as from 2022, the tax will begin to align with global rates and thus could materially impact high-intensity carbon emitting clients.

Climate change

Regulators are increasingly turning their attention to the risk and opportunities related to climate change in the financial services sector. This falls into two categories: (i) financial risks associated with effective action toward transitioning to a lower-carbon economy, and (ii) risks associated with a failure to effectively mitigate climate change.

68: Value preservation for the Planet

70: Value creation in a regulated environment

Opportunities for Absa

The financial sector and banks, in particular, play a vital role in the economic activities of the countries in which they operate by providing liquidity and intermediation in the market. The sector is one of the most stable and well-regulated. This regulation and supervision protects the Group against contagion risk and ensures stability for the benefit of our stakeholders.

We continue to engage with industry bodies and regulators to play an advocacy role and provide appropriate inputs into the process leading up to the release of regulation.

Key risk and mitigating actions

The pace of change and the evolving complexity of regulatory and statutory requirements, is also influenced by geographic nuances. It requires a coordinated, comprehensive and forward-looking approach to evaluate, respond to, and monitor this change. The penalties and regulatory sanctions for non-compliance to legislation and for conduct in the markets are increasing in number and severity.

We have instilled a culture of sound regulatory compliance across the Group. Implementation of this change across the Group is achieved through ongoing improvement of processes and systems. This is executed through specific projects, steering committees, working groups and executive committees for which, depending on the nature of the regulatory or statutory requirement, either the Group Chief Risk Officer or Chief Compliance Officer are accountable to the Executive Committee and the Board. Further, we participate in regulatory and statutory advocacy groups in all presence countries to advocate for regulation and supervision which enhances financial stability and treats stakeholders fairly.

**Macroeconomic, socio and political flux**

Our ability to create value is deeply connected to the macroeconomic environments of the countries in which we operate, most notably South Africa where we generate almost 80% of our headline earnings. Value creation depends on our ability to effectively navigate these challenges.

The strategic elements most influenced:

- Restore leadership in core businesses.
- Pursue growth opportunities.
- Play a shaping role in Africa's growth and sustainability.

The principal risks most influenced

Credit, traded market, business, operational and conduct.

The UN SDGs most influenced**Governance actions**

In the current economic environment it was vital to continually assess the strategy execution against the macroeconomic environment. Regular reviews were undertaken to monitor the Group's exposures to ensure credit limits remained within credit risk appetite for various customers, sectors and industries in the wholesale and retail environments. A deep dive was conducted into the Markets trades following poorer than expected results. Operational losses and fraud risk were monitored closely due to the influence that the macroeconomic environment had on such areas of risk with a review of management actions in response to losses incurred and the steps taken to improve controls.

Shifting global economic power

Strong growth in major emerging markets, driven mainly by China and India, has seen emerging markets' and developing countries' contribution to the global economy rise to almost 60%. The rise of Asian economies is expected to accelerate into the foreseeable future and will contribute fuel to trade and geopolitical tensions as countries seek to advance their economic interests.

Ongoing trade tensions, including between the United States and China, has seen global growth slow to 2.9% in 2019 (International Monetary Fund (IMF) World Economic Outlook 2020), the lowest level since 2008. Similarly, post-Brexit uncertainty continues to affect global growth due to the impacts on intra-European Union trade dynamics. The European Union is South Africa's second-largest trading partner (after China) and is likely to be impacted by Brexit-related developments. Similarly, the United States administration's increasing unease with the global multilateral trading system, as governed by the World Trade Organization, presents new risks.

In Africa, growth is expected to rise to 3.6% in 2020 from 3.2% in 2019 (IMF World Economic Outlook 2020), a considerably lower growth rate than is required to achieve long-term structural transformation.

In addition, the rapid spread of COVID-19 continues to cause havoc with global trade, confirming China's role in global supply chains and as a driver of global demand. The final impact on global economic growth, and on the macroenvironment, will be driven by the speed with which the virus is contained and measures are developed to address it.

Growing sovereign debt

Africa's economic prospects are being impacted by sovereign debt developments in key anchor economies. The IMF has cautioned about rising sovereign debt, stating that 40% of African countries are in debt distress. Rapid debt accumulation over the past decade has seen debt service costs becoming the fastest-rising government expenditure. Our presence countries, including Mozambique, Kenya, Zambia and South Africa, have constrained fiscal space as debt service costs and other recurrent expenditure, such as public sector wage bills, prevent investment in key economic infrastructure.

The deterioration in South African government finances, further complicated by debt-laden state-owned entities, including Eskom, continue to raise sovereign debt concerns. Economic growth remains subdued despite the increase in the debt-to-GDP ratio to 65.0% in 2019 from 48.5% in 2014. This suggests inefficiencies and ineffectiveness in government expenditure, and that recurrent expenditure, rather than investment, has been prioritised over the past five years.

A combination of lower government expenditure in South Africa, including the effect of the public sector wage bill reform, will have an impact on household incomes and business profitability. In poorer regions, the impact of fiscal austerity measures will be more acute given the high dependence on public sector expenditure.

A constrained fiscal environment, coupled with a weak economic environment, will fuel populist sentiments. This may result in greater policy uncertainty as politicians exploit genuine public concerns. This would invariably lead to lower competitiveness and lower business and consumer confidence, which would invariably trap the economy in a low-growth path and debt spiral.

As a result, increases in taxes and levies to finance public expenditure will become widespread in the medium term. We also anticipate that regulators will consider implementing broader tax reforms, including addressing base erosion and profit shifting.

Rising unemployment and lower wages

African youth, which accounts for 60% of the continent's population of 1 billion, remain largely excluded from the labour market. The African Development Bank estimates that more than 10 million young people enter the labour market per annum, yet less than three million jobs are available. South Africa's high unemployment rate, estimated at 29%, will continue to place significant pressures on society, household balance sheets and overall demand in the economy. We anticipate that the informal job market will expand as retrenched workers struggle to find employment opportunities.



Political developments

Political developments across Africa also contributes to policy uncertainty and political parties could develop policy proposals that do not support private sector development or inspire investor confidence, and which contribute to the deteriorating operating environment.

South Africa

Although there has been a gradual improvement in the policy environment since the 2019 general elections, policy uncertainty continues, with key initiatives such as economic transformation, inclusive growth, and competitiveness remaining under discussion. Confusion about South Africa's energy policy and future has impacted on key investment decisions in the renewable energy sector. In addition, there has been a gradual decline in the technical capacity of government, which affects policy formulation and implementation as well as the reform agenda.

Various channels for engagement with policymakers have been established, but delays in implementing the economic reforms required to drive inclusive economic growth continues to stifle economic revival.

Government finances will remain under pressure, with a projected fiscal deficit average of 6.2% until 2023. The debt-to-GDP ratio is projected to breach 73% in 2025, even when excluding the effect of financial support for Eskom. With public sector debt estimated at R3.5trn, government will have to implement a combination of fiscal measures to stabilise public finances.

Opportunities for Absa

African banks can position themselves to play a leading role in facilitating trade flows within prominent global trade corridors, while the successful adoption of the African Continental Free Trade Agreement offers many possibilities for intra-Africa trade. Credit risk innovation, using alternative consumer credit models, is also critical to unlock market opportunities.

Social entrepreneurship is another vital driver of both societal and economic benefits. Social entrepreneurship can help to solve societal challenges, while also creating new channels and customised products intended to uplift society.

44: Playing a shaping role in Africa's growth and sustainability

Key risk and mitigating actions

Further global trade-related conflicts influence confidence and investment decisions, and raise significant risks for the African regional economy.

The level of uncertainty relating to the COVID-19 crisis is extremely high and unprecedented, and its impact on markets and the global economy is already profound. We have strengthened our business continuity plans to sustain our operations across the Group, with resilience planning also taking place in regard to our financial and capital structure, the needs of our customers, and our regulatory engagements. We have begun to review our assumptions and plans in order to anticipate the risks ahead, and we are proactively exploring mitigating measures to ensure that our business is resilient, so that we can continue to support our customers and clients who rely on us to sustain their livelihoods and businesses.

Developments in the South African economy have the largest impact on our ability to achieve strategic objectives, and deteriorating economic performance and poor global competitiveness are significant concerns. The impact of Moody's downgrade will be significant as general borrowing costs in the economy will increase, further curtailing both consumer and business confidence.

High unemployment of youth and the broader population has a wide economic impact and contributes to lower consumption, growth and productivity. Slower domestic and economic growth results in a high probability of retrenchments and lower employment prospects.

It is critical to monitor and manage risk strategy and appetite based on the ongoing evaluation of global and African developments to identify and mitigate risks as they arise, while also enabling business to pursue opportunities.

Climate change

The climate change agenda is complex and wide-ranging, posing many dilemmas. It is therefore receiving increasing attention from regulators, investors, activist groups, the media and global citizens. Expectations of the financial services industry are twofold: (i) to effectively manage climate-related risks and (ii) identify opportunities and to mobilise resources to help alleviate environmental (and associated social and economic) impacts. This should be aligned to core business strategies and includes, but is not limited to, responsible lending practices, and providing innovative banking, investment and advisory solutions. Further, we seek to manage our own environmental footprint.

The strategic elements most influenced

- Build pioneering new propositions.
- Pursue growth opportunities.
- Play a shaping role in Africa's growth and sustainability.

The principal risks most influenced

Credit, insurance, business, operational, conduct, model and legal.

The UN SDGs most influenced



Governance activities through the year

Environmental risk was approved as a sub-risk in our Enterprise Risk Management Framework within the conduct principal risk framework. The Board (and management) participated in sessions with external experts who shared knowledge on climate change forecasts and insights regarding sensitive sectors and then considered the Group's exposures to these sectors. The Board endorsed that the Group become a signatory to the UNEP FI's Principles for Responsible Banking. In December 2019, our Board approved our revised Sustainability Policy as well as a Coal Financing Standard and will consider standards for financing other climate-sensitive sectors in due course.



Climate change and sustainable development

Climate change and sustainable development are strongly interlinked. While all countries around the globe will be impacted by climate change, developing countries, particularly those in Africa, will be most adversely affected while also being the least able to cope with the anticipated shocks to their economic, social and natural systems. Environmental risks dominate both the short-term and long-term risk outlooks of the 2020 World Economic Forum Global Risk Report, which cites biodiversity loss, climate action failure, extreme weather, human-made environmental disaster, natural disasters and water crises. These, in turn, will continue to have a knock-on impact on economies, productivity, property, infrastructure, food security, health and sustainable human settlements. Impacts such as these can have a devastating effect, as evidenced by the water crisis in Cape Town, South Africa in 2018, which affected not only individuals but all spheres of the economy.

Overcoming these challenges requires collective action and a strengthening of the global response to the threat of climate change. Many countries, including all our presence countries in Africa, adopted the Paris Agreement at COP21, which came into force in November 2016. In the agreement, all countries agreed to work to limit the rise in global temperature to well below two degrees centigrade.

Financial service providers are central to all economies and, as such, can and must play a pivotal role in this, primarily by embedding climate change considerations into business strategies to mitigate risks, while also proactively seeking out opportunities to support a transition to a low-carbon economy. To ignore the need to transition would expose banks to financial impacts, as long-term sustainability factors have the potential to affect future viability and cash flows.

Coal-powered energy financing

We acknowledge the growing local and international pressure on banks and other financial institutions

to withdraw their lending from resource-intensive sectors, in particular the coal mining sector. However, this needs to be done on a responsible basis. Banks are among those who need to ensure that Africa transitions to a low-emissions economy in an orderly manner, which is least disruptive to the financial system, ensures a secure and sustainable energy supply, and considers the socioeconomic wellbeing of the continent.

Task Force for Climate-Related Financial Disclosures

The industry-led TCFD initiative is a voluntary, recommendation-based, set of climate-related financial risk disclosures applicable to companies, banks and investors. Increasing the amount of reliable information on financial institutions' exposure to climate-related risks and opportunities requires bringing together specialist environmental and social risk knowledge, technical risk capabilities and expertise, as well as the strategic knowledge and insights of customer-facing business units. It also calls for collaboration with other industry players.

Opportunities for Absa

Our aim is to support solutions that aid the transition to a low-carbon economy and a sustainable future by creating sustainable finance solutions. For example, we are intensifying our strategy of supporting renewable energy projects that are economically, environmentally and socially feasible and that play a role in the diversification of electricity supply as articulated in the national development plans of many of the countries in which we operate. Working through the Banking Association of South Africa, we are engaging with government regarding plans for an orderly transition, which will allow the country to comply with its international greenhouse gas emission reduction commitments.

Key risk and mitigating actions

The impacts of climate change include damage arising from physical events such as flooding and drought and public health crisis. Transition risk includes stranded assets, reputation, legal and regulatory risk, which could reduce on profitability. Environmental risk is managed through our Enterprise Risk Management Framework and will continue to be advanced within the Taskforce for Climate-Related Financial Disclosures framework. In June 2020, shareholders will consider a resolution regarding our proposal to provide shareholders with an assessment of the Group's exposure to climate change risk in its lending and financing portfolios, as well as the opportunities this presents to finance climate change mitigation and adaption.

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2020 Notice of Annual General Meeting

Transformation within a sustainable development context

As a values-based company, we drive a culture of fairness and equal opportunity. We continue to support a vision of a non-racial, non-sexist democratic society where opportunities exist for all people to prosper. We will use our financial resources; the expertise of our people; and our infrastructure and partnerships to promote inclusive growth in the societies in which we operate. We aim to achieve this in a meaningful and sustainable way. We will simultaneously transform our own organisation.

The strategic elements most influenced

- Create a thriving, entrepreneurial organisation.
- Pursue growth opportunities.
- Play a shaping role in Africa's growth and sustainability.

The principal risks most influenced

Credit, business, operational and conduct.

The UN SDGs most influenced



Governance activities through the year

Critically assessed management's progress in terms of the Group's B-BBEE transformation and the progress in executing the required underlying organisational shifts. The performance in several areas was not satisfactory and remedial action was required. While significant progress was made in the second half of 2019, sustained effort is required.

Considered Group Citizenship's execution against Playing a role in Africa's growth and sustainability and deliberated the objectives, legal and tax considerations and board composition of the Absa Africa Foundation which will take the strategy forward.

A wide range of topics linked to the SDGs were deliberated, including but not limited to, the Organisation for Economic Co-operation and Development recommendations and the United Nations Global Compact; the Group's readiness to adopt the UNEP FI Principles for Responsible Banking; climate change; microlending; and regular updates on conduct and reputation related matters.



Inequality

Sustainable economic development is aimed at meeting the needs of people in a way that sustains the environment and natural resources for future generations. This requires actions to address global challenges related to poverty, inequality, climate change, environmental degradation, peace and justice. In Africa, these challenges include education, health and economic opportunities. While global inequality may be reducing, for many people this is not a lived experience. Poverty persists, unemployment rates remain high and quality healthcare and education are unreachable to many. Women and children are, at times, further excluded in patriarchal societies. In South Africa, racial transformation is an imperative. Tackling inequality requires a longer-term value creation approach characterised by innovation, partnerships and bold leadership.

The Sustainable Development Goals

Growing consumption, globalisation and urbanisation is placing pressure on nature's resources while accelerating climate change and jeopardising human wellbeing. Achieving sustainable development is a global priority and the 17 United Nation's SDGs have become the common framework for public, private and civil society sectors to drive efforts to achieve a societal transformation towards an equitable, sustainable and inclusive world. Sustainable development is in an organisation's own interest. Complementary to the SDGs, is the African Union's Agenda 2063 as well as the national development plans of the governments in the countries in which we operate.

Amended Financial Sector Code (South Africa)

The financial sector manages R17trn in assets and contributes about 19% to GDP. The Amended Financial Sector Code (FSC) includes more challenging thresholds and targets than the original FSC. This is to drive transformation of the sector by addressing previous shortcomings and poor performance; for change to reflect the demographics of South Africa; and to leverage the unique role banks have to deepen transformation through empowerment financing and access to financial services.

Opportunities for Absa

The SDGs and the Paris Agreements on Climate Change articulate common development priorities and aspirations. Addressing these requires significant new finance, changes in capital allocations and blended finance that brings together government funds and the private sector's financial capability. In 2020, we will follow a systematic portfolio analysis to identify and prioritise

goals both to minimise the negative impacts of our business activities and to identify the significant financing opportunities of activities that contribute to the achievement of the SDGs and Paris Agreements. Our strategic enabler, playing a role in Africa's growth and sustainability, brings together distinct yet complementary activities of our transformation, sustainability and citizenship programmes to provide tangible proof points.

Key risk and mitigating actions

Urgent global economic transformation is needed and failure to implement this is likely to result in destabilising climate change, growing inequality, joblessness and migration in search of a better quality of life. This, together with social unrest, activism, geopolitical and geo-economic tensions, will ultimately translate into weakened economic development and instability, threatening future business and economic sustainability. In turn, the Group then faces multiple risks including, but not limited to, operational risk, decreased revenues, increased credit risk, and potential legal and reputation risks. As a signatory to the UNEP FI Principles for Responsible Banking, we have made a commitment to align our business strategy with society's goals as expressed in the SDGs and the Paris Agreements on Climate Change.

59: Stakeholder value creation

Our growth strategy

As a financial services provider, we play an important role in the economic life of individuals, businesses and nations. We help to create, grow and protect wealth through partnerships in economic development, while playing a shaping role in Africa's growth and sustainability.

Bring your possibilities to life

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

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

Our strategic objectives

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

Our measures of progress

1. To grow revenue faster, on average, than the South African banking sector from 2019 to 2022, with an improving trend over time and within appropriate risk appetite parameters.
2. To consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2022.
3. To achieve a normalised Group return on equity of 18% to 20% by 2022, while maintaining an unchanged dividend policy.





Performance against our strategy

We need to be agile and proactive in our response to our business performance. Our strategic choices, as outlined in the previous section, were taken to enable deliberate delivery of our strategy, which has been informed by a deep understanding of our strengths and weaknesses as a business and a holistic appreciation of doing business effectively in Africa and across the globe. On the following pages, we provide an update of our progress as we continue on our transformation journey.

Create a thriving, entrepreneurial organisation

We will differentiate ourselves by:

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

Progress in 2019

We are creating a culture that is supportive of the strategy to be entrepreneurial and innovative, with greater autonomy and ownership. In order to deliver our desired transformation, we are creating an organisation with a bench-strength of leadership at all levels, as well as a fit-for-purpose operating model.

To create a thriving, future-fit organisation and to pivot our employees to the new world of work we aim to attract, develop and retain the best employees; equip them with the rights skills for the future; enable a culture transformation; and to enhance Absa's employer brand and employee value proposition.

While we did not achieve the anticipated progress in 2019, there were a number of successes, including:

- The Absa Values were co-created by employees and are a core component of The Absa Way Code of Ethics.
- We are entrenching the Absa Values through initiatives such as the *Absa Regional Operations Journey to Absa*, in which the culture and values are embedded in the brand name change programme across Africa.
- Linked to our Value statements, we have adopted four culture outcomes to steer the organisation towards our desired target culture.
- Employee engagement is key to satisfaction and retention, and we focused on addressing the Group-level 2018 Gallup survey results. Business-based surveys are starting to show positive results.

- Workday, a digital cloud-based people management system, equips, enables and empowers our employees by putting their information in their own hands, and data and insights in the hands of our people leaders.
- Our Absa Leadership Behaviour Credo and Absa Leadership Academy drive the development of leadership and management skills aligned to our business strategy and target culture, as well developing the skills of the future.
- Our Absa People Manager Standards aim to embed a consistent experience of caring, inspiring and empowering people managers and leaders.
- We have identified Absa core competencies aligned to our business strategy and target culture.
- A central, transformational leadership programme has been developed to address systemic and recurring challenges faced by leaders across Absa.
- Our Talent Review Framework has been re-aligned to Absa's strategy and target culture using objective definitions of performance and potential, objective psychometric data, with an increased focus on development planning and implementation.
- Piloted in 2019 with roll-out in 2020, the Absa Digital Campus is our artificial intelligence-enabled digital learning curriculum, which enables employees to build functional and future skills at their own pace. Content is sourced from leading local and global institutions and includes digital skills, complex problem-solving, systems thinking, emotional intelligence, decision-making, leadership, analytical thinking, critical thinking, entrepreneurial thinking and innovation.

Key risks and mitigating actions

Our employees are required to navigate several organisation changes, with restructuring and digitisation being the most notable, while managing stressors arising from the macro environment. These have resulted in elevated levels of stress among our employees. We offer a comprehensive employee wellness programme to manage work and personal stress.

Diversity targets (gender and race) continue to be a challenge, partly due to restructuring, and are being closely monitored with actions to be delivered through a comprehensive transformation strategy. Restructuring and transition to a digitally-led organisation requires not only the development of scarce skills, but the reskilling and upskilling of our existing workforce. We have invested significantly in leadership and talent development, and skills development (including learnerships) and initiated several programmes aimed at the development of scarce skills.

Restore leadership in our core businesses

We will restore leadership in our core businesses by:

- Creating a competitive advantage through a deep understanding of our customers and anticipating their needs.
- Providing our customers with customised, innovative solutions across their life stages, delivered through superior services and supported by transparent pricing.
- Creating a consumer finance franchise within retail that is fully digital, mobile-enabled and equipped to manage risk.

Progress in 2019

Retail and Business Banking South Africa

RBB SA embarked on its transformation journey in 2018 and execution followed a phased approach across the universal product offering. The primary focus was balance sheet growth, which was needed in order to reignite the business in the market. Transactional banking processes and product development were enhanced to leverage this growth.

Asset production levels have shifted in line with the strategy. Double-digit growth across the portfolios was delivered by aligning internal processes with improved acquisition strategies, as well as by a deliberate shift towards digital and voice channels. This translated into market share gains, with Retail's advances in market share increasing to 21.3% in 2019 as per the BA 900.

Similar momentum was evident in our deposit growth, where new product development delivered double-digit deposit growth and where we regained our leadership position in the Retail deposit market.

Further, we integrated our RBB SA and Wealth, Investment Management and Insurance franchises to provide a seamless approach to customers' banking and non-banking financial needs. This integration enables truly customer-centric growth and allows the business to come alongside customers for all their financial service needs.

Customer experience improvements were driven by focused initiatives including:

- Being the first South African bank to provide a digital fraud warranty, protecting customers in the event of digital fraud.
- Actively engaging our digitally active customer base on the performance of our banking app while continuing to release additional features.
- Improving our customer service levels, specifically by focusing on fraud and complaints resolutions. This resulted in a decreased number of Absa-related complaints to the Banking Ombudsman.



Improving customer experience has also started to reflect in our customer numbers as the attrition of previous years has been stemmed. Customer numbers improved 1% year-on-year to 9.7m (2018: 9.6m), with primary customers accounting for 3.1m.

Corporate and Investment Bank

CIB is building a leading African bank that provides connectivity for local, regional and global clients. The health of our client franchise was demonstrated by revenue growth of 5%, client base growth of 97 new clients against a target of 63 and our Client Experience Index continuing to improve, exceeding expectations. We won numerous awards including African Banker's Best Investment Bank in Africa and Euromoney's Leading Provider of Cash Management Products and Services.

Our Corporate franchise continues to grow, with revenue increasing by 9% supported by double digit growth in ARO. Deposit growth improved after the launch of the Absa Access Deposit Note, an innovative investment product while our corporate channel offering was strengthened with the addition of value propositions and service functionality on Absa Access. Our focus remains on driving client primacy and liability growth over the medium-term.

Within Investment Bank the South African Markets franchise lost ground against competitors while ARO Markets grew strongly in line with our diversification strategy. Commercial Property Finance delivered favorable growth in South Africa and the product expansion strategy in ARO countries is showing progress. Global Finance delivered a resilient performance while Advisory delivered a muted performance due to lower levels of corporate activity. We were recognised for our expertise demonstrated in the financial services industry at the JSE Spire and African Banker Awards.

2019 was a critical year in terms of Separation with 75% of projects delivered and 65% of services previously provided by Barclays being terminated. Notable projects included the delivery of Corporate banking channels and payment capabilities across ARO and the implementation of a pricing capability that enables robust risk management for clients.

Absa Regional Operations

Despite managing a demanding Separation programme, ARO delivered strong double-digit growth in its core businesses. The primary customer base and product holding in RBB improved and CIB earnings increased significantly.

We successfully migrated our core banking platform, and our customer facing channels and rebranded all our Barclays operations under the Absa brand. This focus on Separation limited our ability to deliver digital and customer experience solutions, however, this will be a focus in 2020 and will include developing integrated, digitally-enabled solutions and a new customer experience approach.

Retail Bank grew its affluent and core middle business by improving customer value propositions and pricing for the Premier and Prestige segments, by driving an optimal channel mix and by rolling out comprehensive bancassurance products. Manual interventions were reduced by re-engineering key processes which resulted in improved turnaround times on customer transactions.

New retail offerings included:

- Doorstep banking, a differentiated sales and services model, that includes personal cash and cheque collection and delivery for our affluent customers.
- Product bundling, such as our education plan which allows parents to save for future education expenses and provide for any eventualities.
- DragonPass, which provides access to over 800 airport lounges in over 300 cities across 100 countries for our affluent customers.

Business Bank launched purchase order finance and internet banking, improved enterprise development capabilities, expanded structure trade and commodity finance, and appointed sector specialists for priority markets such as agribusiness. We will continue to develop competitive product and channel sets, particularly in commercial asset finance.

Our enterprise supply chain development ecosystem in Ghana, Mozambique and Uganda now includes improved access to internet banking, supplier development conferences and funding based on supply chain agreements. Supply chain financing has been implemented in Botswana, Kenya and Zambia to assist businesses to improve their payments to suppliers.

Key risks and mitigating actions

Risk factors include high levels of competition, especially from new digital entrants, which could result in market share and/or revenue loss as well as margin compression. For example, in cases where customers are seeking better yields on deposits. Local, regional and global macroeconomic variables are also impacting on customers in terms of appetite or increasing default.

Build pioneering new propositions

We will drive growth by:

- Developing a world-leading payments capability, offering transactions on a single digital platform, linking businesses across the continent and ensuring easy and affordable cross-border transactions.
- Launching differentiated transactional banking propositions for small businesses and corporates to drive banking primacy by providing innovative, digitised products delivered through personalised service.

Progress in 2019

Retail and Business Banking South Africa

Our journey has been to grow the balance sheet while existing processes and propositions are enhanced to leverage the opportunities of our 'fix phase'. We also identified, designed and commercialised future propositions. In 2020, we will introduce exciting new propositions to complement our existing universal product offering.

Corporate and Investment Bank

Absa Access provides a single portal and dashboard, integrating all Corporate and Investment Bank client applications. Transactions and queries are captured on one channel, allowing for improved customer service and operational efficiencies. The platform allows multinational corporates to view their portfolios across jurisdictions to enable effective treasury management.

Absa Regional Operations

In addition to solutions such as Timiza, we have multiple partnerships to enable customers to transact, save and borrow. These include:

- Jumo in Zambia is a savings and lending platform using a MTN Mobile Money Wallet and USSD codes. Our point-of-sale terminals also accept MTN mobile money payments.
- youtap in Ghana and Kenya is a USSD code-enabled proposition, which allows customers to pay for goods by entering their mobile number on a point-of-sale machine in order to access their mobile wallet.
- Xpressmoney, a global money transfer service provider, allows our customers in Ghana and Kenya to transfer money for cash collection or to deposit into a mobile wallet.

Key risks and mitigating actions

Risk factors include high levels of competition which could result in market share/revenue loss as well as margin compression. For example, in deposits where customers are seeking better yields. Preventing digital fraud, particularly incidents of social engineering attacks, remains a critical focus.



- Distributed ledgers which aims to solve for digital identity. We are participating in a self-sovereign identity industry project together with Old Mutual, Rand Merchant Bank and BankServ.

Our digital fraud-detection capabilities were enhanced through more sophisticated tooling and analytics. We improved our customer engagement and launched a significant digital fraud awareness campaign. Phishing automation has resulted in phishing sites being blocked within an hour compared to eight or more hours in 2018. We have collectively recovered R87m from fraudsters on behalf of Absa customers and customers of other banks.

Retail and Business Banking South Africa

The business made great strides in the delivery of the digital agenda as the business implemented new features across the digital estate in 2019, including the Absa Mobile Banking App, Absa online and web sales. The banking app is now rated as the top banking app on Android and Apple among all South African banks. We also improved to fourth position in the annual Columinate Best Digital Bank Survey in SA mobile banking.

Key enhancements made to our banking app were transactional account opening; the ability to apply for personal loans; credit card approvals for prequalified customers; funeral and life policies; fixed deposit and unit trust investment capabilities; debit and credit card PIN retrievals; the ability to play Lotto and Powerball; and the facility for sole proprietor business customers to open cheque accounts.

Digital adoption improved by 9% to 34.5%, largely driven by a 28% increase in the number of app users, as well as more frequent app usage, which now averages once every 2.5 days. We leverage our physical distribution channels to digitally enable our customers and have successfully implemented public WiFi in 553 branches to date.

We have also worked to digitise our end-to-end asset-financing fulfilment processes and recently launched a fully automated digital vehicle finance platform.



Performance against our strategy continued

We also launched the world's first beneficiary-switching capability, leveraging artificial intelligence and optical character recognition technology.

Absa Regional Operations

In addition to our traditional banking platforms, we offer two digital banking platforms - Timiza and Jumo - to provide lending and savings products, both of which are demonstrating market traction.

Our network of the future endeavours to be cost-efficient and profitable and to balance the digital and physical needs of our customers. Our first Absa Regional Operations digital branch was launched in Uganda, providing access to personal bankers and online banking as well as ATMs that accept bulk cash.

Leveraging knowledge from South Africa, our ChatBot assists customers with their frequently asked banking process questions. Following pilot in Uganda, the service was launched in Ghana, Kenya, Mauritius, Seychelles and Tanzania in February 2020.

Corporate and Investment Bank

We are working towards a competitive end-to-end service experience for clients through digital modernisation and the creation of a new single sign-on channel access across Africa. Absa Access is live in six of the Absa Regional Operations countries and we are piloting an integrated proposition with Sage to deliver seamless banking and financial reporting. Our research, production and distribution platform has been developed using market-leading technology, and the new pricing capability allows clients to view and manage their risks across multiple asset classes.

Key risks and mitigating actions

Overall, our re-engineered technology infrastructure drives down costs while improving resilience and disaster recovery. To continue progressing on our digital journey, we are aware of the need to adapt our ways of working and build future skills to foster collaboration and increase speed to market.

Customer 360 – a web-based system that provides holistic customer insights which drive business growth. It was recognised as the Best Technology Initiative in the Rest of the World category at the Financial Innovation Awards, hosted by the London Institute of Banking and Finance.



ChatBot (conversational artificial intelligence) – servicing customers using conversational artificial intelligence via social media channels such as WhatsApp and existing banking channels such as the Public Web. We maintained our leading innovation position in the ChatBanking offering in South Africa.



ABBY (Kiosk Humanoid) – humanoid designed to provide self-service within the regional operations branch network. A prototype is currently being tested in Mauritius.



Jumo (disruptive and inclusive lending and savings proposition) – a Ghanaian and Zambian mobile loans and savings solution developed in partnership with JUMO and MTN, which offers a convenient way to either access a cash loan from a mobile phone or an interest-bearing savings account linked to a mobile money app.



Timiza – our virtual banking proposition in Kenya, developed in partnership with Craft Silicone has yielded a 35% growth in loan disbursements, and an eightfold increase in repeat-borrowing customers, driving a revenue growth of 70%.



Absa Access single sign-on portal – includes trade finance, international payments, foreign exchange trading and information services propositions. It allows transactions and queries to be captured on one channel, resulting in improved customer service and operational efficiencies. The platform allows multinational corporates to view their portfolios across jurisdictions to enable effective treasury management.

Bolt – a new vehicle asset finance system, which significantly reduces turn-around time to 30 minutes from application to payout, was rolled out to over 2 300 dealers across South Africa in the first quarter of 2020.

The Absa Mobile Banking App launched a **world-first beneficiary switching capability** leveraging artificial intelligence and optical character recognition technology.

Digital fraud warranty – a first in the South African market to protect customers in the event of digital fraud, significantly reducing fraud complaints.

Automation – we have leveraged robotics and artificial intelligence to create a single view for call centre agents, notably improving our servicing turnaround times. Hot lead callbacks have been improved from 24 hours to less than five minutes and the payment process in our insurance business has been significantly improved using robotic automation of the payment process.

Pursue growth opportunities

We will augment our organic growth by:

- Pursuing targeted acquisitions and investing in businesses that boost our capabilities.
- Expanding into targeted markets either through starting new, buying, or partnering.
- Leveraging strategic partnerships to further enhance our value propositions and offerings.
- Rationalising our current portfolio to drive long-term sustainability.

Progress in 2019

We leverage a significant number of partnerships to deliver a range of products and services as well as to provide market access for our customers. These partnerships enable cash and trading, lending, savings and investment, payments, insurance and customer service, as well as innovation, lead generation and digital marketing. We continue to expand the number and scope of strategic partnerships with mobile operators, retailers, third-party agents, fintechs and global financial players to extend our range of products and services to extend our geographic reach, and to mobilise additional financial resources.

Retail and Business Banking South Africa

We continue to work closely with our key partners, including Woolworths Financial Services, Ford Financial Services, Man Financial Services and Pepkor, and actively pursue other opportunities as and when they present themselves.

As a result of a portfolio review, we sold the Edcon Store Card book, creating an opportunity for capital and management focus to be shifted to core areas within the strategy. Other non-core lines sold include Absa Technology Financial Solutions, which was sold in 2018.

Corporate and Investment Bank

Our strategic alliance with Société Générale broadens our African footprint, creating opportunities to capture trade inflows and outflows from non-presence countries.

We continue to build strong client relationships as we expand our coverage network across key global corridors. In the United Kingdom and Europe, we are defending and growing the corridor through the London securities office.



Key risks and mitigating actions

Strategic partnerships are fast becoming growth drivers in the African business landscape. Success depends not just on internal capabilities, but also on capabilities that can be leveraged through partnership. Successful strategic partnerships have become a new core competency for leading businesses, helping to develop compelling user experiences; to propel growth, to expand distribution channels and create new channels; and to build new capabilities and capture new sources of value while remaining relevant in a constantly changing environment.

In the United States, we obtained a representative office and broker dealer licences. To access opportunities from China, we are building a Mandarin-speaking network in key countries across Africa. This capability will help to further client acquisitions such as the primary banking mandate obtained across several markets from a leading player in the telecommunications sector.

As part of these efforts, Corporate and Investment Bank won a notable transactional banking mandate in the telecommunications and media and technology sector that covers South Africa, Botswana, Kenya and Zambia.

Working with the CDC Group, the United Kingdom's largest impact investor, we secured a US\$100m trade finance deal and a US\$75m direct loan, which is CDC's largest trade finance commitment in Africa. This partnership boosts our financial commitment to drive African trade and practically support local banks, businesses, SMEs and entrepreneurs in our presence countries.

The second Absa African Financial Markets Index, produced in association with the Official Monetary and Financial Institutions Forum, was published in 2019. The index is used by policy makers, investors and asset managers and has been the benchmark used by most countries to measure the effectiveness of financial markets and to develop key financial markets frameworks which support the development of those markets, and in turn, enable foreign direct investment.

In March 2020, we acquired Société Générale's custody and trustee business to broaden our client value proposition.

Absa Regional Operations

As already mentioned, in addition to existing partnerships such as our partnership with Safaricom, we introduced several new products and services with MTN, Jumo and youtap.

Discover more about our activities



[Absa Africa Financial Markets Index: Themes across the continent](#)



[Absa Africa Financial Markets Index: Market Shifts](#)



[Absa MacroConference](#)



[Absa Investor Services](#)



[AfricaCom2019 role of ICTs](#)

Play a shaping role in Africa's growth and sustainability

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

- Earning the trust of our stakeholders by shaping the societies in which we operate while acting with integrity and delivering on our aspirations.
- Contributing to thought leadership in financial services and promoting inter-generational sustainability through the preservation of our environment.
- Playing a meaningful role in promoting economic growth of the African continent.

Progress in 2019

Our most significant impact on society is through the products and services. By tackling societal challenges through commercial business models, we have been able to offer solutions in various focus areas. We extend these positive impacts through (i) education reform and employability; (ii) strategic initiatives and engagements; (iii) thought leadership and innovation; and (iv) intergenerational sustainability.

Education, education reform and employability

We provided R371m in education disbursements throughout Africa in 2019. In South Africa, we have placed 3 564 youth through the Youth Employment Service initiative; and 2 000 high school learners through an employability, entrepreneurship and education programme. We supported 2 000 learners through the Gauteng Department of Education's Schools of Specialisation; and, across Africa, provided free e-learning to young people on our ReadytoWork platform.

We have a strategic focus on developing digital skills and capabilities, both within the Group and wider society. We have run various programmes to upskill disadvantaged youth, such as the Digital Academy, Younglings, Girls in Tech Programme, We Think Code Programme and others. Partnering with the Maharishi Institute's Cybersecurity Academy, we empower marginalised youth to become certified cybersecurity analysts. This programme helps to address the significant shortage of skills in this field.

Co-creating with GovChat, we are providing a social media platform for citizens to connect and communicate with national, provincial and local government using various messaging platforms such as SMS, USSD, WhatsApp, Telegram and WeChat. The solution was launched in South Africa in February 2020,



with Absa and GovChat providing training sessions to empower government officials to engage with their constituents using GovChat while simultaneously reducing cybersecurity risks.

The WorkInProgress innovation hub in Cape Town, South Africa, is a workspace that facilitates collaboration, co-creation and ideation for start-ups, entrepreneurs and partners of Absa. In 2019, 140 businesses were members and 40 businesses worked from this site. GovChat is one such example. WorkInProgress plays an important role when it comes to connecting fintechs from around the world and, in particular, in Africa.

Strategic initiatives and engagements

The 2019 Inclusive Growth Forum, in partnership with the Kgalema Motlanthe Foundation, gathered thought leaders to generate dialogue, develop action plans and build agreement in mapping out the way forward to achieve the overarching goals of the South African National Development Plan under the theme "Creative Solutions: Strengthening Local Government and Local Economies".

The Public-Private Growth Initiative aims to stimulate rapid growth in the South African economy through pragmatic, implementable projects and by rebuilding and strengthening trust and cooperation between the private sector and government. We are engaging in various commercial focus areas, such as infrastructure, automotive manufacturing and agriculture.

The African Youth Networks Movement, delivered in partnership with the Graça Machel Trust and the Mandela Institute of Development Studies, is a youth-led movement that seeks to empower youth networks across Africa to collectively harness their experience, knowledge and expertise in order to promote development on the continent.

Delivered in partnership with the Nelson Mandela Foundation and ReImagineSA, a series of dialogues are being implemented, which seek to drive real change in the social housing sector at provincial and national level by improving the effectiveness of the local social housing ecosystem. The objective is to enable a shift beyond free housing to sustainable human settlements.

Thought leadership and innovation

Partnering with the Gordon Institute of Business Science, we collaborated with Genesis Analytics and the Pathways for Prosperity Commission on Technology and Inclusive Growth to facilitate an assessment to identify areas where digital and other technologies can give rise to scalable work opportunities for a broad range of South Africans.

66: Value creation for Society

68: Value preservation for the Planet

Ubuntu Award for Economic Diplomacy in Africa

In recognition of the role we are playing in society, Absa was recognised by the Department of International Relations with the Ubuntu Award for Economic Diplomacy in Africa. The award acknowledged corporate citizens that contribute to South Africa's reputation as an ideal destination to conduct business and add to South Africa's socioeconomic goals of creating jobs, facilitating trade and attracting investment within the African continent.

Discover more about our activities



Absa Cyber Security Academy



GirlsInTech



Absa | GIBS Spirit of Youth



Absa | Columbia Leadership Academy

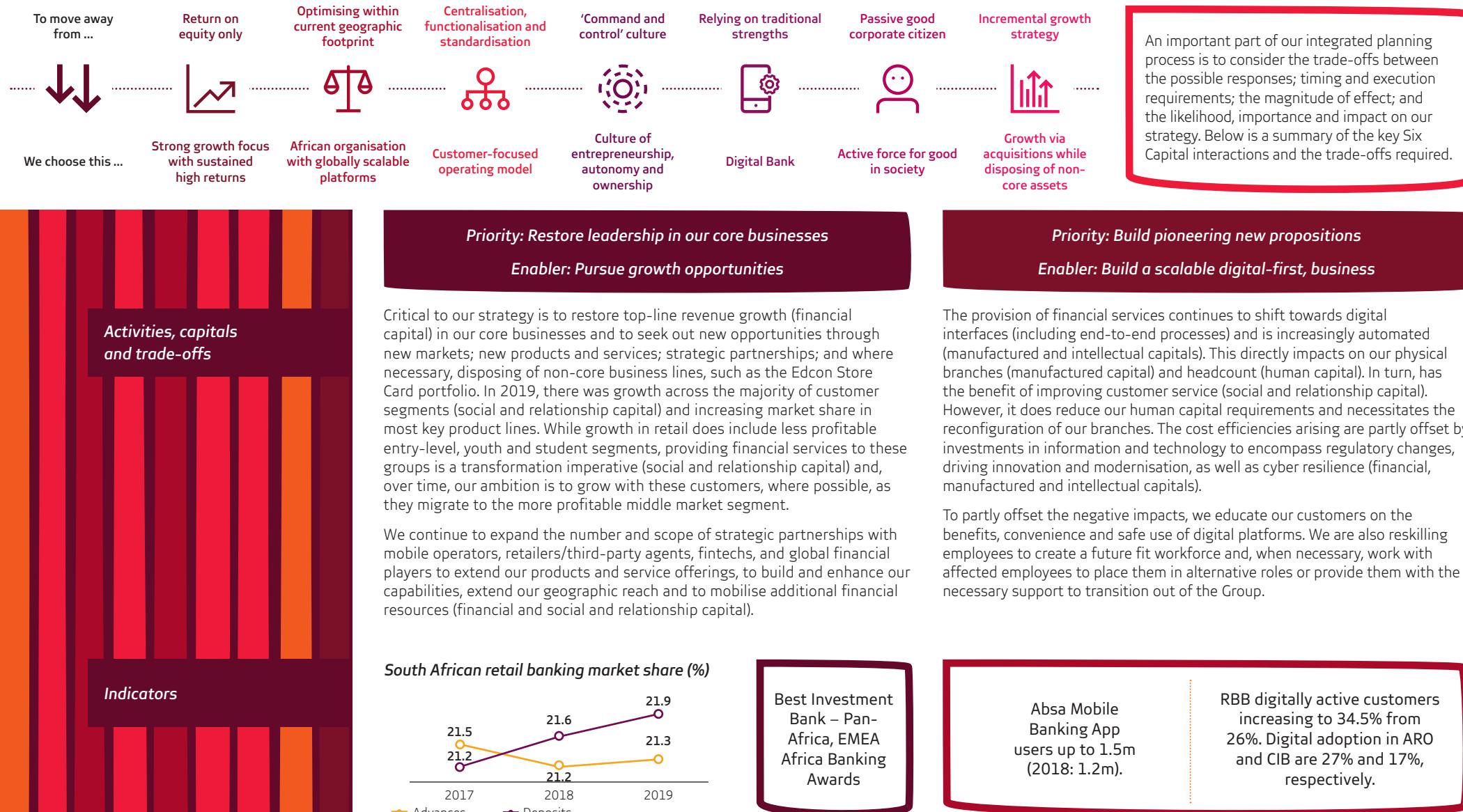


ReadytoWork



Managing trade-offs

Our corporate strategy was developed after making deliberate choices about the organisation we want to be, and the necessary shifts that were required to achieve this:



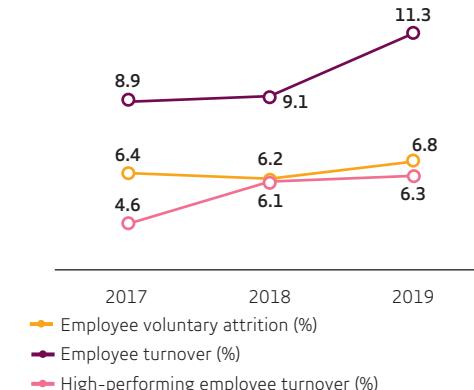
Activities, capitals and trade-offs**Indicators****Priority: Create a thriving, entrepreneurial organisation**

Critical to the success of the Group's strategy, was the reorganisation of the business alongside a comprehensive culture transformation experience that moves our organisation from 'command and control' to a culture of inclusivity, diversity, entrepreneurship and ownership. To drive end-to-end accountability, become more agile and remove bureaucracy, we began restructuring and re-engineering in 2018 and continued into 2019. While bringing employees closer to our customers (social and relationship capital), there has been a human capital impact, reducing headcount with retrenchment costs impacting financial capital.

To realise the required behavioural shifts, a series of cultural engagements are being delivered and we activated a new leadership framework, which includes a reinvigorated learning and talent development approach. Initial results from Voice of Colleague 'Pulse' surveys evidence improving engagement, despite restructuring.

 64: Value delivered to our Employees

Several digital transformations (manufactured and intellectual capital) have been deployed to further enable and empower our employees requiring financial capital input. These include Workplace (internal digital communication platform), Workday a wholistic people management platform, Absa Digital Campus learning platform and C-Zone employee compliance monitoring.

Employee retention and turnover (%)

We focused on addressing the Group's 2018 Gallup survey results and business-unit surveys demonstrated progress.

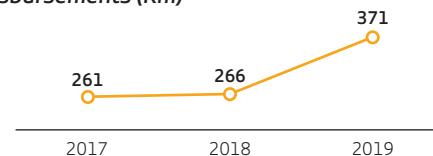
Enabler: Play a shaping role in the sustainability and growth of Africa

We are mindful of the important role that we must continue to play in addressing the many societal challenges Africa faces. We continue to deliver positive impacts through (i) education reform and employability; (ii) strategic initiatives and engagements; (iii) thought leadership and innovation; and (iv) intergenerational sustainability.

 66: Value creation for Society 68: Value preservation for the Planet

We embarked on a multiyear process to assess the impacts of our lending portfolio on environmental, financial, and social and relationship capital. We are a leading funder of renewable energy in South Africa (natural capital); however, significant work needs to be done to support the transition to the low-carbon economy through the mobilisation of funding (financial capital). Further, more advanced climate risk management capabilities will be required into the future (intellectual capital). Our 2030 science-based targets will guide our ongoing efforts to reduce our direct operational footprint (natural capital).

In terms of transformation (social and relationship capital), restructuring has delayed achievement of our employee diversity ambitions within senior leadership and people with disabilities (human capital). While total procurement spend decreased as a result of efficiency efforts (financial capital), this was achieved without impacting our B-BBEE compliant spending pattern.

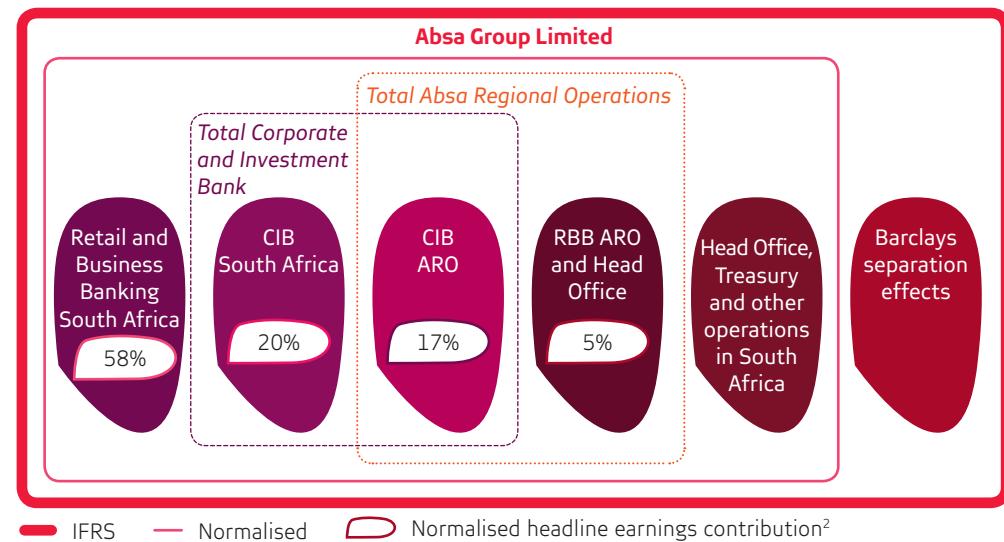
Education and skills development disbursements (Rm)**Carbon emissions per full-time equivalent employee (tCO₂)**

B-BBEE contributor Level 1

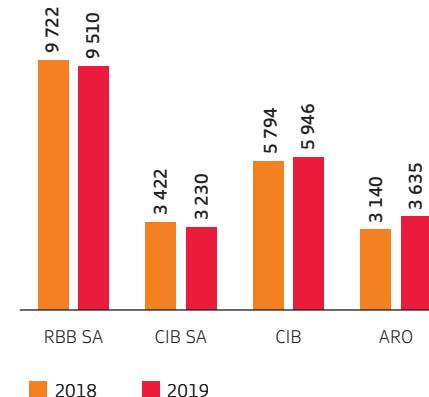


Strategic execution through our customer-facing businesses

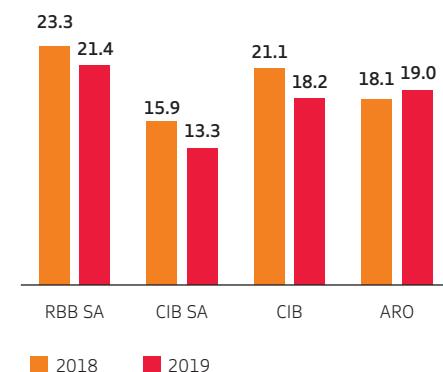
Our reportable segments are based on an operating model that is mainly driven by geography and customer categories¹.



Headline earnings (Rm)²



Return on regulatory capital (%)



¹ Normalised.

² Excluding Head Office, Treasury and other operations in South Africa and the impact of the Separation effects.

Retail and Business Banking South Africa

Strategic goals

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

Areas of strength and differentiation

- An engaged and energised workforce.
- Universal product offering covering lending, saving, transacting, investments and insurance.
- Largest distribution network in South Africa.
- Enhanced digital offerings.
- Healthy returns in excess of cost of capital.
- Strong brand recognition.

Financial performance

Headline earnings declined 2% to R9.5bn, due to 38% higher credit impairments. Pre-provision profits increased 7%. Revenue grew 5% to R49.6bn, with non-interest income increasing 6%, while costs rose 4% to R28.6bn, which resulted in a cost-to-income ratio of 57.7%, down from 58.4%. RBB SA's credit loss ratio increased to 1.18% from 0.92%.

Relationship Banking headline earnings grew 7% to R3.7bn, reflecting 6% pre-provision profit growth, partially offset by 16% higher credit impairments. Despite 9% growth in pre-provision profit, Everyday Banking headline earnings fell 13% to R3.5bn, given 50% higher credit impairments. Within this, Transactional and Deposits headline earnings grew 9%, while Card and Personal Loans fell 40% and 25%, respectively, due to higher credit impairments. Home Loans headline earnings rose 1% to R1.6bn, largely due to 5% higher pre-provision profits. Insurance Cluster earnings increased 10% to R1.3bn, with life insurance up 11% and short-term insurance growing 6%. Vehicle and Asset Finance headline earnings rose 41% on 12% higher pre-provision profits.



Corporate and Investment Bank

Strategic goals

- To focus on key growth sectors – power, utilities and infrastructure, agriculture, consumer, natural resources and financial institutions.
- To grow the Corporate Bank by focusing on transactional banking and payments, custody and trustee and integrated propositions.
- To expand the product suite in targeted markets, focusing on commercial property finance, structured commodity finance, risk management solutions and index solutions.
- To leverage partners to expand our footprint in Africa.
- To build strong networks across key global corridors including United Kingdom, United States, China and greater Asia to support our client base in Africa.
- To successfully deliver the Separation.

Areas of strength and differentiation

- Financing, structuring, fixed income trading, collections, including physical and electronic cash handling, as well as risk management solutions.
- Global network with presence in United Kingdom/Europe and the United States.
- Substantial South African platform to leverage across African operations.
- An increased client base as a result of continued focus on cross selling, new client acquisitions and diversification of product offerings.
- Transactional banking offering across presence markets with new capabilities and an effective sales and service model.
- Leading industry expertise in renewable energy, mining and resources, infrastructure, oil and gas and telecoms.
- Efficient African franchise and high-quality portfolio with a low credit loss ratio.

Financial performance

Total CIB earnings, including CIB ARO, increased 3%, or 1% in constant currency, to R6bn. Pre-provision profits declined 4%, as revenue grew 3% and operating costs 10%. Credit impairments fell 48%, resulting in a 0.14% credit loss ratio, which decreased from 0.32%.

CIB SA headline earnings decreased 6% to R3.2bn. Pre-provision profits fell 15%, as 6% higher costs exceeded a 4% lower revenue growth. This resulted in a cost-to-income ratio of 58.9%, an increase from 53.4%. Credit impairments fell 63%, as higher single-name charges in 2018 did not occur. Corporate earnings grew 2% to R1.2bn, given 6% higher pre-provision profits and flat credit impairments. Investment Bank earnings decreased 10% to R2bn due to 12% lower revenue.

Absa Regional Operations

Strategic goals

- To grow share significantly in core middle and affluent retail markets and to implement low-cost digital platforms.
- To reach leading Business Bank market share in focus sectors.
- To build the leading African corporate and investment banking franchise in partnership with Corporate and Investment Bank.
- To evaluate the portfolio and explore expansion and exit options.
- To reduce costs, including through model implementation.
- To successfully deliver the Separation.

Areas of strength and differentiation

- Strong overall portfolio delivering revenue growth and improving returns.
- A growing customer base with improving retention and cross-sell.
- Ability to meet corporate and commercial client needs by combining global capabilities and expertise, a consistent offering across the region, and local coverage through an extensive network of branches and points of presence.
- In-house solutions and strategic partnerships providing mobile banking, agency banking, chat banking, digital wallets and a fully digital savings and lending platform.
- Leading agricultural expertise, including a bespoke platform that facilitates trade between buyers and suppliers across the agricultural supply chain.
- Strong integrated bancassurance offering.

Financial performance

Headline earnings grew 16%, or 12% in constant currency, to R3.6bn, largely due to 17% higher pre-provision profits. Revenue grew 14% to R18.6bn, including 17% higher non-interest income while costs rose 12% to R10.8bn. This resulted in a cost-to-income ratio of 57.8%, which decreased from 59.0%. RBB ARO earnings increased 22% to R798m, or 19% in constant currency, as pre-provision profits rose 26% to outweigh 37% higher credit impairments. CIB ARO earnings grew 15%, or 10% in constant currency to R2.7bn, due to 15% revenue growth.



Delivering the Separation

Separation has been the catalyst for a significant strategic and cultural reset of our organisation and is nearing completion.

The Separation is a comprehensive programme to deliver the replacement of systems and capabilities previously provided by Barclays and the brand change across the continent. In 2017, Barclays reduced its shareholding in Absa from 62.3% to 14.9%. While the programme nears completion, the key focus on quality, risk management and timeous delivery remains. We will continue to execute within scope, budget and timelines.

As at 20 March 2020, 164 of 198 services provided by Barclays had been terminated and 247 (90%) projects were successfully delivered, including 16 of 25 platinum projects (the most complex and interdependent). Of the projects along the critical path, which have the greatest degree of interdependencies and other risk-orientated characteristics, 81% have been delivered. We implemented a combination of standard lift-and-drop solutions where existing systems already met requirements; noteworthy system upgrades, and some transformative solutions such as Workday and NetReveal. The brand change is one of unprecedented scale and encompasses the re-branding of all technology and digital platforms, corporate and retail premises, business assets and marketing collateral.

The Separation office has transitioned into a Group Change function. The skills and expertise acquired along the Separation journey will be leveraged to drive the Group's strategic initiatives going forward.

Focus for 2020

- Delivery of the card issuing and acquiring platforms for Absa Regional Offices.
- The completion of rebranding.
- Replacement of our foreign exchange trading platform capability.

Achievements

- Mar 2019** Botswana and Uganda SAP live, simplifying financial consolidation.
- Apr 2019** Core Absa Regional Operations banking platforms are successfully migrated.
- May 2019** Absa Regional Operations digital channels are successfully migrated. Benefits include an upgraded infrastructure, a new mobile banking interface and a revamped application for Mozambique, Tanzania NBC and Uganda. The revamp simplified the user journey for bill payments and airtime purchases, as well as added finger biometrics and self-registration capability.
- Jun 2019** Nigeria rebranded as Absa. Kenya SAP went live, simplifying financial consolidation.
- Oct 2019** Our new core financial crime system incorporating customer due diligence, transaction monitoring, and sanctions screening went live. CIB clients were migrated and the Absa Regional Operations Host Channels were replaced, creating a simpler client experience and reducing the number of online channels in use, which was an important step towards the full replacement of our legacy channels.
- Nov 2019** Workday, a unified human resources solution, went live across all entities. Mozambique and Uganda rebranded as Absa.
- Feb 2020** Botswana, Ghana, Kenya, Mauritius, Seychelles, Tanzania (excluding NBC) and Zambia rebranded as Absa. ATM systems successfully migrated to the South Africa data centre for all Absa Regional Operations countries.



Separation Oversight Committee

"The orderly execution of one of the largest and most complex separation projects speaks to the quality of the talent and strength of leadership we have within Absa" *Wendy Lucas-Bull*

Regulatory engagements: Ongoing regulatory engagement has been vital to the programme success and updates were provided on engagements with the South African Reserve Bank, the Prudential Authority and Absa Regional Operations entity regulators, who were also updated through the Africa Supervisory College facilitated by the South African Reserve Bank.

Combined assurance: A critical activity was the monitoring of Separation risks covering operations, technology, people and brand. The Committee engaged with the reports and recommendations from the combined assurance providers - Ernst & Young, PricewaterhouseCoopers, Internal Audit and Group Risk.

Programme execution: Execution progress reports were regularly received relating to project delivery (in particular our platinum projects) and the status of the services supplied by Barclays under the three-year transitional service agreement, as well as early terminations and service schedule extensions where project deadlines shifted.

Skills build: A consequence of the Separation was the need to build out our Group capabilities in key technical areas where we had previously placed some reliance on Barclays for people, systems and processes. External reviews conducted in 2019 confirm that we have built substantial local capability in the areas of the development and validation of models, cyber risk and internal audit.

In 2020, the Committee will:

Monitor the delivery of the final projects; engage with assurance providers on their findings and recommendations contained within combined assurance reports, while overseeing the transition to a Group Change function accountable for executing, in partnership with business units and Group functions, the Group's strategic initiatives, beyond the Separation.

Stakeholders	Strategy elements	Principal risks
Customers	Thriving organisation	Operational
Employees	Scalable, digitally first	Reputation
Regulators	New propositions	Conduct
Investors		Legal



Strategic risk management

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

Risks exist when a decision or action has an uncertain outcome that could impact on our performance. They arise for a variety of reasons, including external events, such as economic shifts and regulatory change and internal events (system failure or poor sales practices). We take calculated risks, such as lending money to customers after appropriate consideration. We use a risk management framework to set a balanced risk appetite that takes into account the operating environment and our strategy.

The framework sets out the organisational arrangements, activities, tools, techniques and practices to:

- Comply with regulatory frameworks.
- Identify and manage material risks.

It also ensures appropriate responses that protect us and our stakeholders.

Risk strategy and appetite

It is essential that business plans are supported by an effective risk management framework to allow us to grow sustainably and responsibly.

The strategy is set within the parameters of an agreed risk appetite. The risk strategy is developed alongside the Group's strategy. The risk appetite defines the nature and amount of risk the Group is willing to take in order to achieve strategic objectives.

Risk management framework

We maintain an active approach towards managing both current and emerging risks through the continued operating effectiveness of our Board-approved Enterprise Risk Management Framework, the foundations of which are:

1. A robust and consistent governance structure at Group, country and business level.

2. Well defined material risk categories known as principal risks.

Financial	Non-financial
1. Credit	6. Operational
2. Traded Market	7. Conduct
3. Treasury	8. Model
4. Insurance	9. Technology (incl. cyber and change)
5. Business	10. Legal

3. A 'three lines of defence' combined assurance model with clear accountability for managing and overseeing risks across all businesses and functions:

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

2nd line: The independent risk, compliance, legal and control functions who formulate risk and control policies, and review the first line's adherence to these.

3rd line: The Internal Audit function tests and reviews controls to determine that the first and second lines execute their responsibilities effectively and consistently.

4. A comprehensive process to evaluate, respond to and monitor risks. This is a structured and practical risk management approach to identify and assess the risk, determine the appropriate response, and then monitor the effectiveness of the response and the changes to the risk profile:

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

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

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

5. A robust risk operating model which provides clear roles and responsibilities.



Group Risk and Capital Management Committee

"2019 and the first few months of 2020 have reminded us that the world can be a risky place to do business. We stress-tested the plan against adverse scenarios and ensured the ample supply of capital, funding and liquidity."

Mark Merson

2019

Operating model: Through monitoring and assurance activities, reviewed the implementation of the new federalised risk operating model and made recommendations to ensure stronger performance of the central and business risk functions.

Risk governance: Regularly reviewed the effectiveness of the Enterprise Risk Management Framework and management of the 10 principal risks outlined on page 50. Monitored the: (i) key areas of management focus, in particular technology and brand; cyber risk and control environment through the Separation; (ii) Group's risk profile against the Group's risk appetite and management's actions; and (iii) key regulatory engagement themes. Recommended to the Group and Bank for approval, the quantitative and qualitative risk appetite metrics and statements after stress testing the 2020-2022 medium-term plan.

Capital levels: Challenged the statutory, regulatory and economic capital composition and levels within the Group considering strategic change, regulatory requirements, stress scenarios, Basel III, and the expected dividends to and from Absa Bank and Group. Reviewed the modelled impact of anticipated key regulatory changes, including bank resolution which could impact the availability and cost of the Group's financial resources. Recommended to the Boards for approval, the capital plan for the 2020-2022 medium-term plan, which considered the proposed 2020 capital issuances and strategic growth plans.

Funding and liquidity: Monitored the funding of the balance sheet in terms of senior debt/note funding, wholesale funding and core deposit funding, and the split between onshore and offshore funding. Monitored liquidity levels, approved the liquidity risk appetite and early warning indicators, discussed plans to address the phasing out of the committed liquidity facility from the South African Reserve Bank from 2021, and reviewed the high-quality liquid asset portfolio. Recommended to the Boards for approval the funding plan for the 2020-2022 medium-term plan.

General: Received updates on business resilience and recovery testing; interest rate risk in the Absa Bank banking book; progress to achieve compliance with the Basel Committee on Banking Supervision (BCBS) 239 standard for risk data aggregation and risk reporting; certain Absa Regional Operations technology payment and lending platforms and the related risks; material outsource supplier risk; and the activities of the Models Committee. Approved the risk and capital management disclosures in the financial results booklet, the integrated report and the Pillar 3 risk management reports. Considered submissions to the South African Reserve Bank, including (i) the recovery plan, and (ii) management's annual internal capital adequacy assessment process report.

In 2020, the Committee will continue to monitor:

- Key risk, capital and liquidity metrics in the light of the global economic shock caused by COVID-19;
- The performance within each of the Group's 10 principal risks considering the Group's strategy, the changing economic and operational conditions and the finalisation of the Separation;
- The further evolution of the Group's federated operating model and its impact on risk management; and
- The current and projected levels of capital, funding and liquidity of all the regulated entities, which will include the fundamental review of the trading book impacts.

Stakeholders	Strategy elements	Principal risks
Customers	Thriving organisation	Credit
Regulators	Growth opportunities	Operational
Society	Leadership in core businesses	Traded Market
Employees	Role in Africa's growth and sustainability	Conduct
Investors		Treasury
		Model
		Insurance
		Technology
		Business
		Legal



2019

Group Credit Risk Committee

"A critical focus for the year was assessing our position in regard to systemically important South African state-owned entities, ensuring that the Group has extended credit with the sound expectation of achieving returns." *Mark Merson*

Large exposures: Approved single name, country and sovereign facilities within its mandate and monitored the credit risk of distressed customers through regular updates. Evaluated the Group's exposure to the South African government and its state-owned companies, with focus on the specific financial challenges faced by those entities and the need to balance the interests of the country with those of our investors, regulators and society at large.

Sector and segment specific reviews: Reviewed macroeconomic assessments covering the health of, and concentration risk within, the Group's credit portfolio across all presence countries.

Monitored the Group's exposures to ensure credit limits remained within credit risk appetite for various customers, sectors and industries. The Committee conducted deep dives into Absa Regional Operations commercial property finance, Home Loans, Everyday Banking, Woolworths Financial Services and the retail sector, and also reviewed the impact of the proposed South African National Health Insurance scheme.

Risk metrics: Monitored the application of the credit risk measurement metrics; considered the Group's risk pricing approach; and analysed the impact of executing the Group's growth strategy on key risk metrics.

In 2020, the Committee will:

- Undertake further sector, industry and portfolio deep dives and will continue to scrutinise the Group's exposure to high-risk areas, including the South African state-owned enterprises.
- Evaluate the performance of the portfolios against stipulated credit and risk metrics, including monitoring that the approved credit risk appetite is maintained in all presence countries.
- Consider risk in conjunction with returns for relevant portfolios and approve credit applications in line with the Committee's mandate.

Stakeholders

Customers
Investors
Regulators
Society

Strategy elements

Growth opportunities
Leadership in core businesses
New propositions
Thriving organisation

Principal risks

Conduct
Credit
Legal
Reputation



Models Committee

"We closely monitored the changes to the model risk operating model designed to deliver more business responsive models, while retaining a strong independent validation function."

Jason Quinn

2019

Model Risk: Approved the new model risk operating model and the implementation of the model risk appetite at Group and business unit level.

Operational capacity: Considered feedback on the assessment of operational capacity of model development, validation and practical application by business, which highlighted model risk as a significant risk. Considered the capabilities, governance and oversight of pricing models in the Group and focused on the resourcing of the models requiring regulatory approval.

Considered an independent benchmarking summary of model risk capability across the Group against best practice of international peer banks.

Regulatory models: Reviewed the status of models relative to the compliance and governance requirements, with no high materiality models out of governance. Engaged with the Prudential Authority of the South African Reserve Bank regarding feedback on (i) the Group's wholesale regulatory credit capital models, and (ii) low default portfolio thematic review and policy proposals.

Data remediation: Debated the remediation of findings raised by the Independent Validation Unit, particularly in relation to data quality, model use and performance, and model implementation.

In 2020, the Committee will:

- Continue to monitor compliance with regulatory standards set by the Prudential Authority and other regulators.
- Ensure sufficient resources for model development, verification, and implementation, including talent retention and recruitment of individuals with scarce skills.
- Ensure delivery of the Group's wholesale regulatory credit capital models in line with plan as agreed with the Prudential Authority.

Stakeholders

Customers
Investors
Regulators

Strategy elements

Growth opportunities
Leadership in core businesses
New propositions

Principal risks

Credit
Market
Models
Operational
Treasury



Information Technology Committee

"Advancing the Group's information and technology agenda requires a multipronged approach blending infrastructure and resilience, data, and cyber security, while driving our digital agenda in a rapidly changing environment."

Alex Darko

2019

Group change: Considered (i) change volumes and progress of Separation projects and the related prioritisation programme; (ii) the implications of Separation, including the regulatory requirements in various jurisdictions; (iii) the new target operating model with business-facing technology teams and the repositioned central technology teams and how data and digital will be positioned to support the business; (v) strategic technology investments spend and benefits (including the leveraging of modern capabilities such as cloud, data platforms, open source, software as a service and artificial intelligence), along with efforts to reduce the overall cost-to-income ratio of the technology function and thus the Group.

Technology resilience and digital stability: Monitored (i) stability of applications, channels and infrastructure as a key priority to ensure uninterrupted services to our customers; (ii) the resilience and stability of existing platforms and the impact of Separation execution; (iii) trends in the number and duration of customer impacting incidents and mean time to recover; and (iv) disaster recovery testing and automation.

Data: Monitored activities relating to the identification of data requirements, the processing of data into infrastructure platforms, and the necessary toolsets to use the data effectively.

Digital: Reviewed the refreshed digital strategy and received reports on reshaping the digital focus to align to global trends and the Group's changing competitor landscape.

Security: Monitored progress on the implementation of the Group's security strategy (including cyber) to contain the impact of physical and cyber threats on systems and our customers' accounts; and more broadly to strengthen information risk management and security controls across the IT infrastructure.

Technology and people risk: Considered (i) the indicators in the risk appetite statements; (ii) the status of the resources and skill sets in technology and cyber security across the Group; and (iii) the required culture change within technology, focusing on leadership, employment equity, developing a talent pipeline of next-generation skills, scaled learning and the wellbeing of employees

In 2020, the Committee will oversee:

- The programme to "Engineer the bank forward" through technology.
- The completion of the remaining Separation projects by June 2020 within budget and risk tolerance and ongoing delivery of strategic projects.
- Transformation of the Group's network and data architecture, specifically moving to a single data platform and decommissioning legacy data warehouses.
- Efforts to ensure ongoing system stability and our ability to recover from customer impacting incidents.
- The build-out of our strategic digital partnership ecosystem and capability, while monitoring progress and the impact of disruptive digital change.
- Improved security controls, and data driven risk assessments.

Stakeholders	Strategy elements	Principal risks
Customers Employees Regulators Investors	Thriving organisation Leadership in core businesses New propositions Scalable, digital first Growth opportunities Role in Africa's growth and sustainability	Business Operational Conduct Technology (including cyber and change)



Group Financial Director's report



Jason Quinn
Group Financial Director

Despite the tough operating environment, we have been able to maintain revenue momentum in our key target areas, with total revenue growth improving to 6%.



The Separation impacts the Group's financial results. We provide normalised financial results to adjust for the Separation and to better reflect our underlying performance. We continue to present International Financial Reporting Standards (IFRS)-compliant financial statements as well as a reconciliation of these two views in our 2019 Financial Results Booklet.

Strategic performance

Revenue growth

6%
(2018: 4%)



Revenue

R80.0bn
(2018: R75.7bn)



Cost-to-income

58.0%
(2018: 57.7%)



Value for shareholders

Headline earnings

R16.3bn
(2018: R16.1bn)



Return on equity

15.8%
(2018: 16.8%)



Total dividend per ordinary share

1 125 cents
(2018: 1 110 cents)



Strong deposits and loans

Group loans and advances to customers

R917bn
(2018: R842bn)



Group deposits due to customers

R826bn
(2018: R736bn)



Sound risk profile

Stage 3 loans ratio on gross loans and advances

4.67%
(2018: 5.10%)



Credit loss ratio

0.80%
(2018: 0.73%)



Strong capital and liquidity

Common equity tier 1 ratio

11.8%¹
(2018: 12.0%)



Liquidity coverage ratio

134.4%
(2018: 109.9%²)

¹ Remains within Board-target levels.² Restated due to the Prudential Authority's 2019 exclusion proposals.

Overview of 2019

The macroeconomic backdrop was challenging as South Africa's real GDP grew below our expectations, just 0.2% last year, showing pronounced weakness in electricity, construction, transport, retail and communication. South Africa's growth has consistently disappointed for the past five years, averaging just 0.8%, well below the global average GDP growth of 3.5% over the period. Other presence markets also disappointed last year, with our budget factoring in higher GDP growth in eight of our 10 markets, particularly in Mozambique and Zambia. Ghana, our largest market outside South Africa, was an exception, with strong growth of around 7% for 2019.

Our performance was resilient, considering the tough operating environment. Diluted normalised headline earnings per share grew 1% to 1 923 cents. Revenue growth improved to 6%, in line with the rise in expenses. Our operating jaws were slightly negative, increasing our cost-to-income ratio marginally to 58%, although pre-provision profits increased 5%, well ahead of the previous year's 1%. New business strain and improved coverage increased our credit loss ratio to 80 basis points, which remains at the bottom end of our through-the-cycle guidance. Retail and Business Banking South Africa's (RBB SA) headline earnings declined 2%, primarily due to 38% higher credit

impairments. Corporate and Investment Bank South Africa's (CIB SA) headline earnings fell 6%, given 4% lower revenue, although our total CIB earnings increased 3%. Absa Regional Operations' (ARO) headline earnings grew 16%, driven by solid 14% growth in revenue. South African earnings declined 3% to R12.7bn, while Africa regions rose by 17% to R3.6bn, accounting for 22% of Group earnings.

We maintained our balance sheet momentum, with gross loans and deposits growing 9% and 12%, respectively. Given 8% higher average equity, our return on equity declined to 15.8%, from 16.8%, which reduced our profit after regulatory capital charge for the period by 30% to R2.1bn. Within the context of the market volatility and uncertainty, we focused on increasing coverage, and on maintaining solid capital and liquidity levels. Our 11.8% common equity tier 1 ratio allowed us to increase our dividend per share in line with earnings.

As outlined on page 49, we have made significant progress on the Separation. To date, we have spent R13.3bn, comprising R11.2bn on project execution and programme support and R2.1bn on transitional services agreement costs. R4.1bn was spent in 2019. Our remaining funding of R4.3bn includes sufficient contingency to mitigate potential risks on the outstanding projects. We still expect that the Separation will be capital and cash flow neutral over time.

Summarised balance sheet

	2019 R	2018 R	Change %
Total assets			
Of which Loans and advances to customers	1 394 494	1 285 552	8
Total equity	916 978	841 720	9
Capital and reserves attributable to ordinary equity holders of the Group	121 840	112 853	8
Non-controlling interest – ordinary, preference shares and additional Tier 1 capital			
Total liabilities	106 328	100 700	6
Of which Deposits due to customers	15 512	12 153	28
Total equity and liabilities	1 272 654	1 172 699	9
Loans-to-deposits and debt securities ratio (%)	826 293	736 305	12
	1 394 494	1 285 552	8
	93.0	93.8	

Summarised income statement

	2019 R	2018 R	Change %
Net interest income	46 306	43 425	7
Non-interest income	33 655	32 235	4
Total revenue	79 961	75 660	6
Operating expenses	(46 357)	(43 642)	6
Pre-provision profit	33 604	32 018	5
Credit losses	(7 816)	(6 324)	24
Other impairments and indirect tax	(1 893)	(1 832)	3
Associates and joint ventures	221	179	23
Profit before taxation	24 116	24 041	–
Taxation	(6 310)	(6 766)	(7)
Profit after taxation	17 806	17 275	3
Attributable earnings	16 003	15 903	1
Non-controlling interest	1 803	1 372	31
Headline earnings	16 265	16 128	1

2019 Annual Consolidated and Separate Financial Statements

2019 Financial Results Booklet



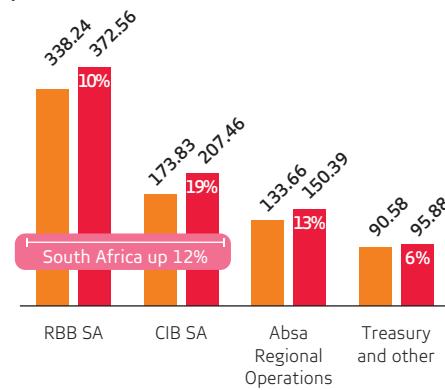
Funded by improved deposit growth

Growing core deposits is a priority and an important indicator of franchise health. Total deposits grew 12% year-on-year, or 11%, excluding reverse repos, roughly double our 2018 growth. Customer deposits increased to 75% of our total funding mix from 72%. Our proportion of long-term funding improved to a high 28% from 26%. Sources of liquidity increased 7% to R233bn, while our net stable funding ratio and liquidity coverage ratios improved to 113% and 134%, respectively, both well above regulatory requirements.

RBB SA grew 10% to R373bn or 46% of our total deposits, given 15% growth in low margin deposits, with fixed deposits up 15% and savings up 11%, while current account deposits increased 4%. Our retail deposits rose 10% to R227bn, increasing our market share slightly to 22%. Relationship Banking rose 10% with growth in transactional and savings due to new products and growth in the public sector.

CIB SA grew 19% or 9% on average, off a low base, with very strong growth in fixed deposits, reverse repos and notice deposits. Some of CIB's growth is relatively volatile in nature, particularly reverse repos. ARO's deposits grew 13%, or 19% in constant currency, with RBB up 11% and CIB up 29% in constant currency.

Deposits (Rbn)



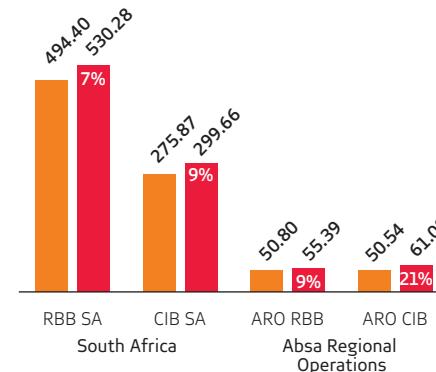
Balance sheet analysis

Balance sheet momentum

Gross loans increased 9% to R947bn, or 7% excluding reverse repos. The growth was evident across most businesses. RBB SA, our largest book, grew 7%, or 9% if adjusted for the disposal of the Edcon storecard portfolio. CIB SA's gross loans increased 9% to R30bn, with strong 34% growth in commercial property finance off a low base. ARO's gross loans increased 15%, with CIB up 21% and RBB 9%.

All of RBB SA's core products achieved good growth. Home Loans' new business production rose 24% and its market share stabilised for the first time in several years. Vehicle and Asset Finance grew 9%, despite 3% lower new car sales last year. Personal Loans grew 14%, due to strong production via branches and digital channels and targeted marketing campaigns. Credit cards increased 18%, adjusting for the Edcon storecard portfolio, largely due to limit increases to existing high-quality customers. Relationship Banking grew 12%, with strong commercial growth, while the small- and medium-enterprise segment slowed, given the tough macro backdrop.

Gross customer loans (Rbn)



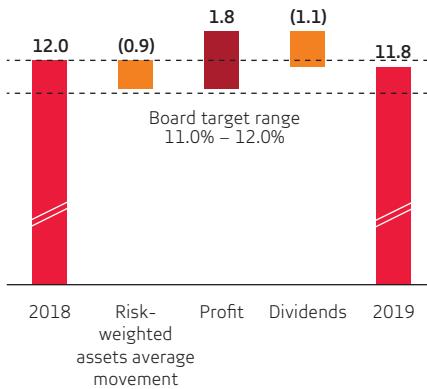


Group Financial Director's report continued

Maintained strong capital levels

Capital levels remained strong, with total capital of 15.5%, which is at the top end of our Board target range. This is appropriate, given the tough macro backdrop and heightened uncertainty. Group risk-weighted assets grew 6% to R870bn, slightly less than our customer loan growth. We remain very capital generative, as profits added 1.8% to our common equity tier 1 ratio year-on-year, while dividends reduced it by 1.1%. Our resulting normalised common equity tier 1 ratio of 11.8% is at the top end of our Board target range. We are actively managing our balance sheet and capital. Disposing of the Edcon storecard portfolio was the first step and released R1.0bn in capital, and we issued over R3bn of new style Basel III additional tier 1 capital and R1.6bn of tier 2 capital in 2019. We were the first African bank to conclude a deal with the Multilateral Investment Guarantee Agency, guaranteeing US\$497m of capital in seven ARO subsidiaries, which enables us to lend more, including to small and medium enterprises and projects with co-climate benefits.

Common equity tier 1 ratio (%)



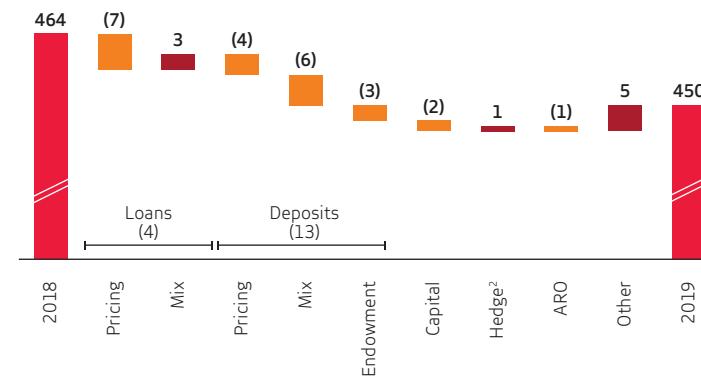
¹ Average interest-bearing assets

² Interest rate risk management

Income statement analysis

Lower net interest margin

Change in net interest margin¹ (basis points)



Average interest-bearing assets grew 10% to R1.0trn and our net interest income grew 7%. Our net interest margin decreased to 4.50% from 4.64%, although it stabilised in the second half.

Loan margins declined 4 basis points overall. Within this, loan pricing decreased 7 basis points on lower pricing in Investment Bank South Africa and Relationship Banking, despite improved front book margins in Home Loans and Personal Loans. Slower growth in Home Loans than the overall book was positive for loan mix, as was strong growth in Card and Personal Loans.

Deposit margins decreased 13 basis points, due to pricing competition in Everyday and Relationship Banking, increased reliance on wholesale funding, and stronger growth in lower margin Everyday Banking deposits. Deposit and capital endowment reduced the margin by 5 basis points, due to growth in these balances being slower than in our overall interest-bearing assets.

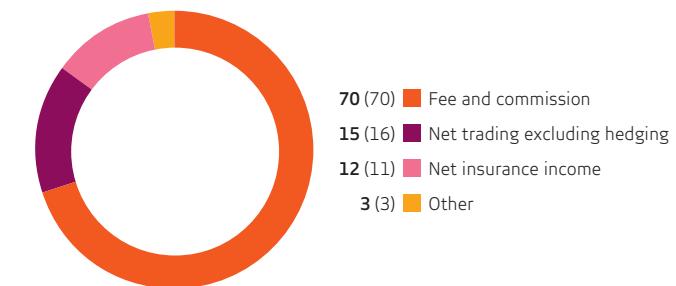
We continue to hedge 13% of the South African capital and liabilities. The programme released R595m, or 6 basis points, to the income statement, which was in line with 2018. The cash flow hedging reserve was R1.1bn after tax (at 31 December 2019) and the structural hedge should provide some protection in a lower interest rate environment.

In ARO, lower policy rates in many of our markets and competitive pricing of foreign currency loans and deposits reduced the Group's margins slightly. Within 'other', the negative impact of implementing IFRS 16 reduced our margin by 3 basis points, although there was an equal reduction in operating expenses. High quality liquid assets growing less than interest-bearing assets had a 5 basis points positive mix impact.

Core non-interest income growth emerging

Balance sheet growth and a focus on growing our customer base and improving primacy is starting to translate into better non-interest income, which increased 4% and constituted 42% of total revenue. Annuity income is a large component, as net fee and commission income grew 5% and accounted for 70% of the total. Net trading, excluding hedge accounting, declined 4%. SA Markets trading revenue fell 28%, which ARO's 25% growth partially offset. Net insurance income grew by 13%, with solid growth in our Life business benefiting from integrating bancassurance into RBB SA.

Non-interest income mix (%) (2018 comparison)



Underlying cost growth well contained

Operating expenses grew 6%, although the underlying growth was lower adjusting for R0.6bn in additional incremental running costs due to separating from Barclays, R0.4bn higher staff restructuring costs, and R0.4bn for implementing IFRS 16. Excluding these items, underlying cost growth was 3%, or 2% in constant currency. Expenses included R3bn of targeted cost reductions, including over R1.3bn in RBB SA, R0.75bn in operations, R0.3bn in CIB SA and over R0.2bn in both ARO and our real estate portfolio.



Staff costs grew 7% and remained the biggest component of expenses at 55% of total expenses. Salaries grew 9%, with restructuring costs counting for half of this growth. Headcount in South Africa declined by 2 502 year-on-year, or 8%. Non-staff costs increased 5%. IT costs grew 16%, due largely to higher post-Separation running costs. Total IT spend, including staff costs and depreciation, grew 18% to R9.3bn, or 20% of Group expenses. Total property related costs continue to be optimised and grew by only 2% year. Amortisation of intangible assets grew 35% due to an increase in software development costs to R5bn. Discretionary spend remains tightly controlled, with travel and entertainment falling 17%.

Adjusted costs (Rbn)



Responsible taxpayer

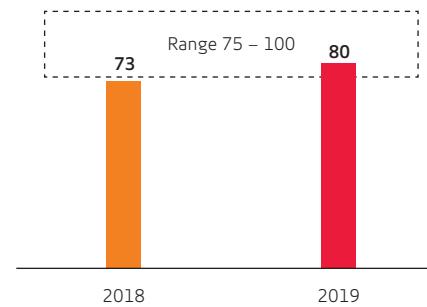
Our taxation expense decreased 7% to R6.3bn, lowering our normalised effective tax rate to 26.2%, with the main drivers being non-taxable dividend income and non-deductible expenses. We will continue to optimise the tax position of our commercial operations. This philosophy considers the needs of all stakeholders, including shareholders, customers, tax authorities, regulators and wider society. We ensure that all taxes are paid in accordance with the legislative requirements of the countries in which we operate.

Credit impairments rose off a low base

After declining the previous two years, credit impairments grew 24% off a low base. This was a result of day-one IFRS 9 provisions, new business strain which increased credit impairments, largely in Card and Personal Loans in South Africa, where loan growth was strong. Moreover, our coverage increased, again primarily in South African Card and Personal Loans and also Vehicle and Asset Finance following IFRS 9 charges for increased macroeconomic and industry risk factors. After adjusting for these and non-recurring CIB items in the base, the underlying increase in credit impairments was 8%, which is similar to our loan growth.

RBB SA's credit impairments grew 38%, resulting in a 118 basis points credit loss ratio. CIB SA's credit impairments fell 63%, largely due to the non-recurrence of a single name charge in the comparative base. Its credit loss ratio improved to 11 basis points. ARO's credit impairments rose 53% off a low base, particularly in CIB, increasing its loss ratio to 98 basis points. The Group credit loss ratio of 80 basis points remains at the bottom end of the through-the-cycle annual charge we expect under IFRS 9 of 75 to 100 basis points.

Credit loss ratio (basis points)



Outlook

We forecast 0.9% real GDP growth in South Africa and 5.6% in our ARO markets, with downside risk to both, particularly the former. Based on our current assumptions, and excluding any major unforeseen political, macroeconomic or regulatory developments, we forecast reasonably similar balance sheet growth, although loans could grow faster than deposits, particularly in CIB. We continue to expect better loan growth from ARO in constant currency than from South Africa. Our net interest margin is expected to be similar to 2019, given positive mix impacts from higher growth in retail unsecured lending and ARO, partially offset by low margin deposit growth and slightly lower policy rates. Costs will remain well controlled and we are targeting positive operating JAWS, in part due to costs in 2019 which will not reoccur in 2020 in the base. Our credit loss ratio is expected to increase slightly, but remain in the bottom half of our through-the-cycle target range. There is increased risk of further strain in our South African portfolios. Our return on equity is likely to be similar to 2019. While we remain committed to achieving an 18% return on equity, we do not envisage achieving it until 2022 at the earliest, which is heavily dependent on the state of the South African economy. We do, however, expect to see consistent progression on our cost-to-income ratio. Lastly, our common equity tier 1 ratio should remain at the top end of our Board target range and we remain comfortable with our dividend cover at current levels.



Group Audit and Compliance Committee

"We provided oversight to ensure sound controls were maintained as we closely monitored the evolving control environment arising from organisational change, Separation and the growth strategy"

*Colin Beggs***2019**

Financial Performance: Reviewed the Group's financial performance on a quarterly basis and approved the financial statements (interim and year-end). Considered several complex accounting principles (including implementation of IFRS 16 Leases), statements and the related areas of judgement.

Payments environment: Reviewed the systems and processes of the Group's payments environment, in light of heightened risk in the banking industry, as identified by the Prudential Authority. We noted progress towards fully automated processes as well as improvements in this control environment.

Audit quality and rotation: Monitored the planning, processes and outcomes of the audit throughout the Group and were satisfied with (i) the adequacy of Ernst & Young's specialist resources in key risk areas, (ii) the rigour and level of audit challenge as well as EY's policies; and (iii) the outcomes of external and internal review reports on the firm.

The control environment: Continuously monitored, through combined assurance, the steps taken to assess, remedy and embed material controls in light of (i) changes in the organisation; (ii) the Separation; and (iii) the Group's growth strategy and operating model.

Approved plans by Internal Audit and Compliance for coverage (using a risk-based approach) of all material areas of the Group.

Fraud and cyber risk: Given the inherent risk of online fraud and cybercrime, we paid attention to the Group's external and internal risk profile and defences against these threats, with in-depth reviews of (i) the Group's digital fraud management model and strategy, which has strengthened the Group's prevention and response capabilities; and (ii) financial crime compliance.

In 2020, the Committee will:

- Monitor the implementation of new IFRS standards and the impact of future standards.
- Consider the Group's position on future mandatory audit firm rotation regulations and our processes to appoint and onboard a second audit firm from 2021.
- Continue to monitor the control environment in light of the Group's growth and digital strategy, the finalisation of the Separation, and the challenging operating environment with a focus on the fraud and cybercrime environments. We will extend payments reviews to include ARO.
- With management and the audit committee chairs of the ARO entities, conduct deep dives into the control environments of selected entities.

Stakeholders	Strategy elements	Principal risks
Customers	Employees	Thriving organisation
Regulators	Investors	Growth opportunities
	Society	Conduct Operational Legal



Board Finance Committee

"Our strategy includes being open to acquisitions, disposals and partnerships to achieve growth. We considered several transactions and other opportunities to do so."

*Mark Merson***2019**

Investments/transactions: Recommended to the Board (i) the sale of the Edcon credit and financial services book to RCS; (ii) the acquisition of the custody and trustee business from Société Générale; (iii) various potential corporate actions and restructurings; (iv) the establishment of a small technology services business in Prague, Czech Republic, to accommodate resources post the Separation; (v) the renewal of the Sandton campus office lease; and (vi) the outsourcing of a substantial integrated facilities management contract to a third-party supplier, which becomes effective 1 April 2020.

Reviewed (i) a potential Black Economic Empowerment ownership transaction using the Absa Group shares contributed by Barclays as part of the Separation, with a view to announcing, during the course of 2020, an appropriate ownership transaction (the investment has grown from 1.5% to 1.7% through the reinvestment of dividends); (ii) the physical cash strategy; (iii) the cost savings plan within the 2019 – 2021 medium-term plan; and (iv) intra-group services management and Absa Regional Operations cost settlement updates.

Short-and medium-term financial plans: Challenged (including with stress testing) the 2020 budget and medium-term plan to 2022 with a focus on revenue growth, managed cost growth, sustainable deposit growth and returns.

Market announcements: Considered the profit commentary and SENS announcements for the interim and year-end financial results to ensure that the Group's performance is presented transparently and succinctly.

In 2020, the Committee will:

- Challenge management on the short- and medium-term budgets relative to the Group's strategy, while considering the likely performance of banking peers.
- Continue to consider investments, disposals and substantial funding proposals.

Stakeholders	Strategy elements	Principal risks
Regulators	Leadership in core businesses	Treasury
Investors	New propositions	Operational
	Growth opportunities	Reputational Conduct Legal



Stakeholder value creation

We have a strong franchise and play a critical role in contributing to the economic prosperity of Africa. As a role player in a socioeconomic ecosystem, we continue to conduct our business in a way that promotes positive outcomes for society, consumers, and our business by using our core assets, capabilities and opportunities to address the challenges, and take advantage of the opportunities.



Social and Ethics Committee

"Core to the business and its sustainability are our relationships with our customers, employees and broader communities. These inform the overall organisational health which is the essence of our agenda."

Mohamed Husain

2019

People and culture: Within the context of the Group's strategy, considered the people strategy, the approach to enhance employee experience and the role of the new target culture and the supporting framework, priorities and measures of success for culture transformation. The benefits of transitioning to Workday, a new digital human resources system platform.

Shaping role in Africa's growth and sustainability: While continuing with our extensive contributions and efforts towards education and education reform, training and job creation, we discussed the establishment of the Absa Africa Foundation, with more work to be done before implementation and launch.

Continued to track and monitor our progress under the South African Financial Sector Code, with significant work still to be done in the areas of supplier, skills, employment equity and ownership in order to reach a Level 1 B-BBEE contributor.

Stakeholder engagement: Received updates on stakeholder engagements and approved the Group's revised stakeholder engagement strategy and related policy. Considered customer health updates with new and more granular satisfaction and retention metrics in all our business units as well as complaint trends.

Conduct and reputation: Received regular updates on conduct and reputation risks, including whistleblowing statistics and trends. Approved the Absa Way Code of Ethics. Received updates on the health of the brand and the progress to rebrand the Absa Regional Operations banking entities to Absa, with the exception of National Bank of Commerce in Tanzania.

Sustainability: Debated the sustainability programme and our approach as a responsible corporate citizen to include the UNEP FI Principles for Responsible Banking. Considered the Group's 2030 direct environmental targets and performance against these. Recommended to the Board, the Group Sustainability Policy and Coal Financing Standard for approval.

In 2020, the Committee will:

- Attend to all matters within its mandate as prescribed by the South African Companies Act and management's activities in relation thereto.
- Focus on the execution activities aimed to deliver the strategic enabler *Playing a shaping role in Africa's growth and sustainability* as well as the people and culture strategies.
- Monitor customer health with the view to ongoing improvement.

Stakeholders

Customers	Society	Investors
Regulators	Employees	Planet

Strategy elements

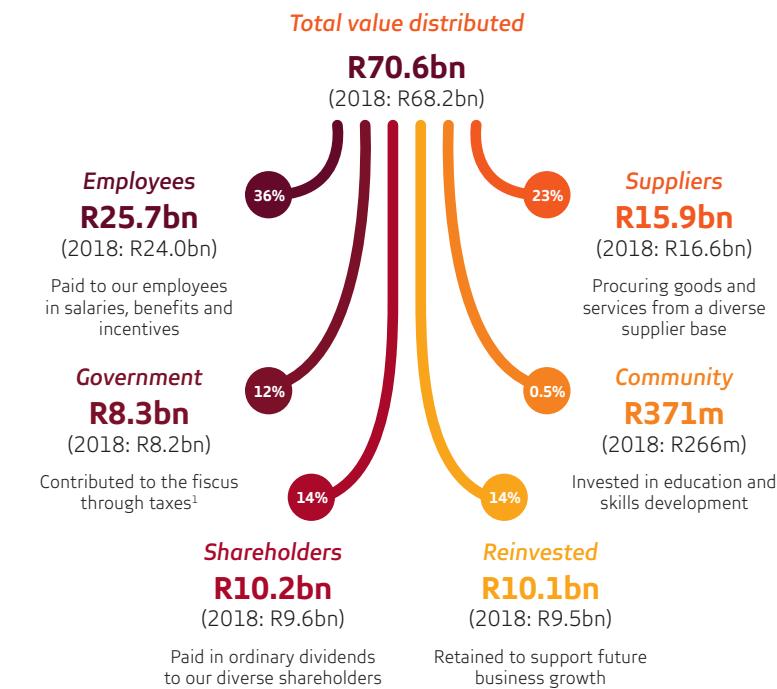
Thriving organisation
Role in Africa's growth and sustainability

Principal risks

Conduct	Legal
Operational	

Through sustainable financial performance, we create wealth and, in turn, distribute that wealth to key stakeholders, namely employees, suppliers, government, society and shareholders, while retaining funds for future growth.

Value added statement



¹ Taxes paid includes indirect taxes and dividend withholding taxes and value-added tax. The amounts reflected above relating to employees, dividends and retained earnings may not align with the financial statements.



Stakeholder scorecard

	Indicator	How does it link to value creation?	2019	2018 Benchmark/peer average		Assurance type
 Investors	Revenue growth ¹	Business performance	6%	4%	South African peer ² average: 5%	MBO
	Return on equity ¹	Business performance	15.8%	16.8%	South African peer ² average: 17.5%	MBO
	Cost-to-income ratio ¹	Business performance and efficiency	58.0%	57.7%	South African peer ² average: 56.3%	MBO
	Dividend per share	Dividends for shareholders	1 125 cents	1 110 cents	South African peer ² average: 900 cents	MBO
	Dividend cover	Dividends for shareholders	1.7 times	1.7 times	South African peer ² average: 1.8 times	MBO
	Dividend yield	Dividends for shareholders	9.41%	7.49%	South African peer ² average: 6.5%	MBO
 Customers	Treating Customers Fairly outcome score	Fair treatment experienced by customers	84% ³	60%	South African peer ² average: 79.6%	EXT
	Net Promoter Score®-RBB ⁴	Service quality experienced by customers	27%	-	South African industry average: Net Promoter Score® 29.6%	EXT
	Net Promoter Score®-ARO Retail Banking ⁴	Service quality experienced by customers	20%	-	South African industry average: Net Promoter Score® 29.6%	
	Net Promoter Score®-ARO Business Banking ⁴	Service quality experienced by customers	2%	-	South African industry average: Net Promoter Score® 29.6%	
	Client experience (CX) -CIB ⁴	Service quality experienced by customers	73%	4th	FirstRand: 3 rd ; Nedbank: 10 th ; Standard Bank: 5 th	EXT
	Brand value ranking (Brand Finance South Africa) ⁵	Brand value	4th	4th	FirstRand: 3 rd ; Nedbank: 10 th ; Standard Bank: 5 th	EXT
	Employees completing Preventing Financial Crime training	Skilled employees preventing criminal behaviour	96.5%	98.2%	NA	MBO
 Employees	Employee engagement (Gallup survey)	Engaged employees	- ⁶	27%	NA	EXT
	Retention of high performing employees	Ability to retain high performing employees	93.2%	93.8%	NA	MBO
	Permanent employee turnover rate	Ability to retain employees	11.3%	9.1%	South African industry average: 11.9%	MBO
	Internal promotions (number)	Development of internal skills and capability	1 402	2 070	NA	MBO
	Diversity: Women in senior management	Progress of women in leadership positions	35.0%	34.9%	B-BBEE target: 30%	MBO
	Diversity: AIC ⁷ employees	Demographic alignment	75.8%	74.0%	NA	V
	Diversity: Senior AIC ⁷ management	Demographic alignment	51.4%	49.3%	B-BBEE target: 60%	V
	Training spend	Employee development investments	R451m	R426m	NA	MBO
	Staff costs	Employee remuneration and benefits	R25 696m	R24 031m	NA	MBO
	Annual unionised salary increase ³	Salary increases for bargaining unit	7.0%	7.2%	South African peer ² average: 7.2%	MBO

¹ Normalised.² FirstRand, Nedbank and Standard Bank.³ Methodology changed in 2019 (see page 65).⁴ First year of inclusion on the scorecard.⁵ South Africa.⁶ Not performed in 2019 (see page 65).⁷ All African, Indian or Coloured people qualifying for South African citizenship by birth or descent, or people who were naturalised before 27 April 1994.

NA – not available

EXT – external source

LA – Limited assurance

MBO – Management and Board oversight

V – B-BBEE verified



Stakeholder scorecard continued

	Indicator	How does it link to value creation?	2019	2018	Benchmark/peer average	Assurance type
Society 	Disbursements towards education and skills development	Contribution to education and skills	R371m	R266m	NA	MBO
	Consumer education (number of beneficiaries)	Contribution to education	119 500	100 746	NA	V
	Local procurement as a percentage of total ¹	Supporting local suppliers	73.2%	76.1%	NA	V
Planet 	Number of transactions screened for environmental and social impacts ²	Lending impact on the environment and society	3 704	3 582	NA	MBO
	Carbon footprint per full-time equivalent employee	Operational impact on the environment	5.79tCO ₂	6.45tCO ₂ ³	South African peer ⁴ average: 5.3tCO ₂	MBO
Regulators 	Common tier 1 equity ratio	Basel compliance/strength of capital	11.8%	12.0%	SARB ⁵ minimum: 7.5%	MBO
	Liquidity coverage ratio	Basel compliance/strength of liquidity	134.4%	109.9% ⁶	SARB ⁵ minimum: 100%	MBO
	Net stable funding ratio	Basel compliance/strength of funding	112.7%	110.1%	SARB ⁵ minimum: 100%	MBO
	Regulatory fines and penalties	Adherence to regulatory requirements	R9.8m	R1.4m	NA	MBO
	Corporate taxes paid ⁷	Contribution to government funds	R6.7bn	R5.9bn	NA	MBO
	Indirect taxes paid ⁸	Contribution to government funds	R2.9bn	R2.6bn	NA	MBO
	B-BBEE level ¹	Corporate transformation	Level 1	Level 2	South African peers ⁴ : Level 1	V

¹ South Africa.² Includes Equator Principles.³ Restated using full time equivalent employees as opposed to total headcount.⁴ FirstRand, Nedbank and Standard Bank.⁵ South African Reserve Bank.⁶ Restated due to the Prudential Authority's 2019 exclusion proposals.⁷ Tax paid by entities incorporated under the laws of the country in which it is effectively managed. It therefore excludes foreign tax expenses or withholding tax paid by a non-resident company.⁸ Payroll (based on social security policies, excluding taxes borne by employees), irrevocable VAT, withholding tax and other taxes.

NA – not available

EXT – external source

LA – Limited assurance

MBO – Management and Board oversight

V – B-BBEE verified

Creating value for Investors

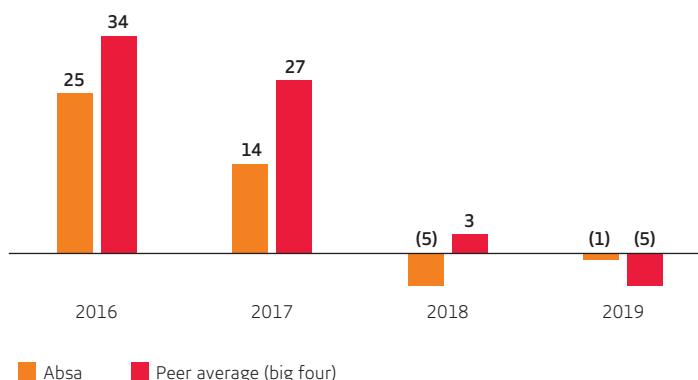
We create shareholder value by managing risk effectively and delivering sustainable growth and returns. A strong relationship with the market is essential for understanding our performance, strategy and prospects.

We aim to provide investors with enough information to make an informed assessment of the year under review and on our future prospects, so that they can value us appropriately. We provide a comprehensive set of disclosures on the Group's performance. Our reporting suite is outlined on the inside front cover.

Resilient performance

We produced a resilient performance, considering the tough economic environment. Our revenue growth improved to 6% and our balance sheet momentum was maintained. Net asset value per share grew 5% to R126, while diluted headline earnings and dividends per share both grew 1%.

Total shareholder return (%)



Shareholder engagement

- Following the sell down of Barclays PLC's controlling interest, our free float increased from 37% to 85%, where it has remained. Almost 46% of our shares are held by South African institutional and private investors.
- Following our Retail and Business Banking South Africa investor day in December 2018, we hosted two investor updates in 2019, on Corporate



Top engagement topics

- Efforts to regain leadership in Retail and Business Banking South Africa.
- Separation programme execution.
- Appointing our new Group Chief Executive.
- Impact of the challenging operating environment, as South African economic growth disappointed for the fifth consecutive year.
- Credit impairments relative to our through-the-cycle guidance.
- Capital levels and guidance on our dividend.
- Increasing competition in retail banking in particular.
- Executing our revised remuneration approach.

and Investment Bank and our Separation. We also participated in 11 investor conferences and undertook a local and international Chairman's roadshow pre-annual general meeting, in addition to a United States non-deal roadshow and our usual results presentations and related meetings.

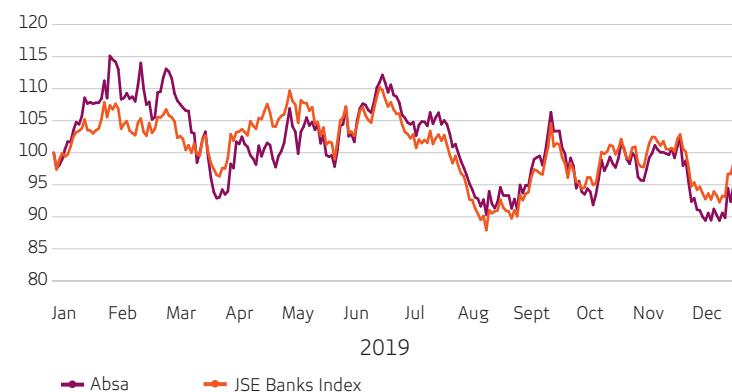
- We won Best Corporate for Investor Relations in South Africa and Best IR Professional for the 8th and 7th consecutive years, respectively, across all sectors. This reflects our investment in maintaining strong relationships with our shareholders and analysts through a variety of engagements.
- All binding resolutions were passed at our 2019 annual general meeting, with 76% of our issued ordinary share capital present or represented. Following against votes of 23.5% and 47.4% for our non-binding advisory remuneration policy and implementation report resolutions, respectively, we again engaged shareholders to understand and work towards addressing their concerns.

71: Remuneration outcomes

- We continue to engage with shareholders on environmental, social and governance issues, actively participating in various investor benchmarking surveys.
- Our 2020 annual general meeting will take place on 4 June 2020, and in a step towards understanding, quantifying and managing the potential impacts (risks and opportunities) of climate change, the Board has tabled a resolution that provides for future disclosure of our exposure to climate change risk in our lending and financing portfolios.

2020 Notice of Annual General Meeting

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



Shareholder diary

Annual general meeting

4 June 2020¹

Announcement of the 2020 interim results

12 August 2020¹

Financial year-end

31 December 2020

Dividend	Final	Interim ¹
Declaration date	11 March 2020	12 August 2020
Last day to trade	4 April 2020	15 September 2020
Ex-dividend date	15 April 2020	16 September 2020
Record date	17 April 2020	18 September 2020
Payment date	20 April 2020	21 September 2020

¹ Subject to change.

Value creation for Customers

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

The UN SDGs most impacted



39: Performance against our strategy

Convenient and innovative financial services

We provide services to our customers through a multi-channel approach, providing a choice of platforms encompassing digital, online, call centres, and face-to-face engagements in branches and customer suites with relationship managers. Our digital, design and data capabilities are essential for responding to our customers' needs, enhancing their experience and reducing their dependency on physical branches. We continue to create focused customer value propositions, enhance key customer processes, ensure system stability, strengthen relationships with customers and sharpen our knowledge of key sectors. Below are examples of how we are meeting customer needs.

- South African customers can invest in various savings and investment options through our mobile banking app and online banking tools. Investments include fixed deposits, unit trusts and savings accounts. We also have financial calculators for vehicle finance, mortgages, personal loans and study loans, as well as credit management facilities.
- Our enhanced MyHome home loan option caters for customers with a single or joint monthly household income of R25 000 or less. The proposition includes free access to a borrower education programme, as well as financial planning consultations, comprehensive property insurance and a home loan protector policy, 50% off bond registration costs and zero initiation fees.
- Our NovoFX app enables customers to quickly, seamlessly and safely buy foreign exchange and make cross-border payments in under 15 minutes with real-time exchange rates in over 28 currencies via a mobile app. In 2019, R1.51bn was transferred by 1 387 customers in 10 630 transactions.
- Absa Access Deposit Note is an innovative investment product solution for our Corporate and Investment Bank clients.

• Our Timiza proposition in Kenya served 3.5m registered customers with mobile lending, savings and insurance products, with R2bn having been disbursed.

- Through our partnership with Jumo in Ghana and Zambia, 44 000 customers have made 115 000 deposits through Kasaka, which has R1.2m in assets under management. In addition, 2.2m loans to the value of R859m have been made through Kongola using, the MTN Mobile Money Wallet and USSD.
- Customers can perform instant transactions using our ChatBanking service on Facebook messenger and WhatsApp. Popularity is growing, with WhatsApp banking users increasing to 69 000 from 30 000 in 2018.
- In a banking first for South Africa, CashSend and payments can be made via Western Union on the Absa Mobile Banking App. The blend of affordability, ease-of-use and focus on safety and security contributes to financial inclusion by allowing customers to send cash to anyone, anywhere in the world.
- SmartPay is a point-of-sale device that is not dependent on apps, switches between network providers and uses e-receipts. Cash-back allows merchants to exchange cash for an electronic transaction, limiting cash handling fees and improving security. Merchants can view transaction history and re-send receipts using a web-based portal. SmartPay is part of our market-leading SmartPack proposition, which helps small and medium enterprises to streamline their banking.

Excellent customer service and advice

We are on a journey to a more holistic approach towards customer franchise health by integrating, into a single approach, all the elements of customer complaints management, customer service and experience measurement, and other drivers of customer experience and franchise health. Our new call centre interactive voice recognition capability enables first-time authentication so that the customer need only be authenticated once during the call, ensuring details are correct. This saves time and avoids customer frustration. While early signs point to improvement, we acknowledge that much work remains.



We have several customer experience measures against which we assess our performance:

- The Group's 84% Treating Customers Fairly score is a measure of our customers' perception of our performance against our conduct risk framework and the expected Treating Customer Fairly outcomes.
- Corporate and Investment Bank's client experience score of 73% was driven by improving satisfaction with bankers, product specialists and complaints management. Areas for development include improving digital capabilities and experience, as well as our response to our customers' need for balance between self-service and pro-active advice and tailored solutions.
- The Retail and Business Banking South Africa Net Promoter Score of 27% reflects the positive momentum of customer experience and complaints handling. Our future focus areas include improving digital channels and in-branch experience, as well as creating tailored solutions.
- The Absa Regional Operations Retail Banking's and Business Banking's Net Promoter Scores are 20% and 2%, respectively. Improvement will be driven through the delivery of integrated, digitally-enabled solutions and a new customer experience approach.
- In South Africa, 1 486 cases were opened with the Ombudsman of Banking Services, of which 67% were resolved in our favour, down from 2018 which were 1 776 and 70%, respectively. The significant drop in cases is attributable to our intense focus on fraud and complaints resolution capabilities.

Safety and protection against fraud

Fraud is constantly evolving and customers' awareness is essential in order to prevent fraud. Employees undertake mandatory annual training, covering a range of topics including anti-money laundering, data privacy protection and anti-bribery and corruption. To safeguard our customers, employees and the Group, we issue regular communications regarding financial crime, with topics such as how to avoid phishing attacks, how to conduct online shopping, travel tips, and card and app safety. In conjunction with increased fraud awareness messages across multiple platforms and increased security measures, additional attention is being given to customer experience with the implementation of revised fraud-handling processes and improved turnaround times to minimise customer detriment and address this issue directly. In South Africa, we introduced the first digital fraud warranty.

Despite improved security, fraudsters are continuously devising new plans to circumvent the latest safety measures. For example, the shift from phishing to vishing. With phishing, fraudsters impersonate a bank via email and entice customers to click on links that redirect them to a fraudulent banking site, duping them into sharing their details and subsequently robbing them. With vishing, fraudsters call the customer claiming to be from their bank and requesting account and login details to urgently stop a fictitious transaction. These are examples of social engineering – the act of manipulating customers into sharing their personal information.

We have several protective measures in place such as:

- Two-factor authentication (2FA) and device authentication. 2FA is a second layer of security, enabling customers to verify certain higher-risk transactions on our online and mobile banking channels by sending verification messages directly to the Absa Mobile Banking App. This prevents fraudsters from intercepting verification messages to customers' SIM cards, which is an often-exploited vulnerability.
- To mitigate the risk of unauthorised debit orders being attached to accounts without customers' consent, we have implemented a system called DebiCheck. Whenever a new debit order is created on an account, a verification request is sent for the customer to either accept or reject. No new debit orders can be created, and no changes can be made, without the customers approval. In addition, the system allows the customer to view all current debit orders, using either the Absa Mobile Banking App or by logging onto Absa Online Banking.

Privacy is a foundation of our relationships and our data privacy policy aims to ensure we collect, transfer and store electronic and hard copy personal data appropriately, protecting against the misuse or abuse of information.



Into the Breach cybersecurity awareness video series



Value delivered to our Employees

Our people ambition is to create a thriving future-fit organisation that attracts, develops and retains the best people through a differentiated employee experience that brings possibilities to life.

The UN SDGs most impacted



With reference to page 39 of our strategy performance, **creating a thriving, entrepreneurial organisation** is one of the three enablers to the Group's growth strategy. Delivering value to our employees is vital to achieving that strategy, and we provide a snapshot of how we do that here.

Fair and responsible remuneration

We paid R25.7bn, excluding taxes, in remuneration, benefits and incentives to our employees in 2019. Our commitment to fair and responsible remuneration includes a review of remuneration differentials based on gender and race, as well as income differentials across the various levels to ensure that these are justifiable. Where they are not, we take corrective action. Our unionised employees received a 7.2% cost-to-company increase, with management receiving an average of 4.8%. Members of the Executive Committee did not receive a cost-to-company increase. This contributed to an overall improvement of relative fixed remuneration of our more junior employees.

71: Remuneration outcomes

Driving diversity

A diverse workforce broadens perspectives and enhances resilience and performance. We consider diversity to encompass gender, race, age, disability, experience, religion, values, beliefs and sexual orientation. Gender parity is a global issue, while race is an additional focus in South Africa. Women make up 61.1% of our workforce, account for 58.7% of promotions, and comprise 35.4% of senior leadership. In South Africa, 75.9% of employees are AIC¹, up from 74.0% in 2018. While 51.4% of senior management are AIC¹ (2018: 49.3%), this falls below our target and remains a key focus in terms of recruitment, succession and retention.

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 total workforce declined to 38 472 by year-end (2018: 40 856), with employee turnover increasing to 11.3% from 9.1%, mostly due to restructuring. Voluntary attrition increased only marginally to 6.3% from 6.1% and we remain focused on talent development and career progression. Of the 5 474 vacancies filled, 69% were internal hires, up from 60% in 2018. Our improving employer brand and the distinct opportunities this creates is evidenced in our ability to attract and retain high-performing senior employees (92.5%) and high-performing employees across all grades (93.2%).

Creating an enabling environment

Our refreshed talent management framework provides leadership with standards, tools and training for assessing and managing talent. Using Workday, a cloud-based human resources platform, we bring together the insights to understand our talent landscape and needs, align high performers with key business objectives and develop tomorrow's leaders.

Our new performance management approach, MyContribution, requires a conscious shift towards improving the quality and frequency of engagements between employees and their managers. It is focused on aligning organisational purpose with personal purpose, linking individual contributions directly to Group and business unit objectives, and continuous meaningful coaching conversations in which development needs, ways of leveraging strengths and ways of contributing to Absa's growth are discussed.

Workplace by Facebook is active across the Group and provides a platform for collaboration, connecting, engaging with leadership and communicating across the organisation. It is helping to fundamentally change the way we work by facilitating seamless collaboration, sharing of knowledge and information and easier access to senior leadership.

Delivering people development

- Our total skills development spend was R740m, benefiting employees and unemployed learners. R451m was direct investment in training and development of employees.
- Almost 80% of permanent employees participated in non-mandatory training programmes, with employees accessing 6 637 available learning programmes. 1 045 employees benefited from Absa Leadership Academy programmes since the Academy's launch in April 2019.
- R25.2m in bursaries was disbursed to 782 employees, of which 62.3% of beneficiaries were women.
- 65 Gen A graduates joined the 1 213 young professionals who have built their careers with us since 2008. Current and past graduates featured prominently as finalists and winners in innovation competitions, with ideas including a new short-term insurance product, using artificial intelligence to reduce loss provision and claims, and using machine learning to improve customer complaints analysis.
- Learnerships, apprenticeships and internships increased to 2 511 from 2 284 in 2018 of which 1 128 were unemployed black youth who gained work experience with Absa, and 1 226 were employed black people.

The learning platform launches across the Group in 2020

In 2019, we simplified our human resources policy environment, reducing the number of policies from 75 to nine and introducing new parental leave and sexual harassment policies.

Workday and our People portal provide more direct access to leadership and colleagues, as well as more effective systems and processes, all of which shape the employee experience and career journey. Workday provides a single source of people data, simplified processes and self-service capabilities. Integrated with Workday, the People portal brings together live chat services, knowledge management articles and case management.

WelcomeMe, another digital innovation, is our new employee onboarding experience, which is gamified and rich in data insights that are designed to immerse new joiners. Our new joiner employee Net Promoter Score of 52% reflects the positive impact WelcomeMe has on new employees and benchmarks at 'excellent' against leading global financial institutions.

Our 2019 focus was on addressing concerns raised in the 2018 Gallup employee engagement survey. Various business areas conducted customised Voice of the Colleague 'Pulse' surveys and other bespoke diagnostics to unlock insights into employee engagement. Early results demonstrate that progress is being made. For example, advocacy for Absa as an employer has improved and employees increasingly have a better understanding of their respective business strategies and how their work contributes to these.

Our employee wellness offering spans eight dimensions of wellbeing, being physical, emotional/mental, financial, social, intellectual, spiritual, environmental and vocational. Delivery is supported by employee wellness programme providers in South Africa, Botswana and Kenya, and we have plans to achieve full geographic coverage in 2020. Confidential reports identify trends, underlying factors and suggest corrective measures. In 2019, the top concerns related to mental and financial wellness. In response to this, our mental wellness includes stress-management tools and resilience training. A variety of services also help employees to build a strong financial foundation, minimise financial stress and create ongoing plans to reach future financial goals. These include free annual financial screening, financial literacy training, financial planning assistance and, where appropriate, debt remediation counselling.

Case study

Technology enabling personal safety

In response to the widespread concerns around our employees' safety and security across South Africa, we launched Absa Stay Safe, a location-based security app developed by a South African organisation.

The app provides employees on-the-go security notifications by tracking the employee's location and sending out push notifications relating to security issues such as crime hotspots, possible protest actions or public transport disruptions that may be occurring on their route.

Employees are also able to report certain work-related security issues as they encounter them for the security team's response.

The app carries no data charges and aims to empower our employees to make the best choices for their safety and security by providing them with the right information to get to work and home safely.

#ReadyForPossibilities

Explore safer roads at the touch of a button.

The advertisement features the Absa logo icon (a house with a location pin) and a small icon of a smartphone with a map on its screen. The background is dark purple with orange and white text.

Value creation for Society

Our success is interlinked with the wellbeing of the societies in which we operate. We aim to amplify the positive impact of the Group by contributing to solutions that address several socioeconomic challenges.

The UN SDGs most impacted



Playing a shaping role in Africa's growth and sustainability is one of the three enablers to the Group's growth strategy. Our most significant impact on society is through our products and services. By tackling societal challenges through commercial business models, we have been able to offer solutions in various focus areas. We extend these positive impacts through (i) education reform and employability; (ii) strategic initiatives and engagements; (iii) thought leadership and innovation; and (iv) intergenerational sustainability. Our progress on (i) – (iii) is on page 46 while progress against (iv) is on page 68. We supplement this with further detail in our 2019 Environmental, Social and Governance Report.

Responsible procurement and supplier diversity

We support responsible sourcing and supplier diversity. Within our overall procurement approach, our supplier and enterprise development approach helps entrepreneurs to grow their businesses and to contribute to job creation. This includes collaboration with multinational corporations to promote the growth of the local economy. For example, in partnership with our global supplier of servers, laptops and desktops, distribution is subcontracted to 10 small and medium enterprises serving our operations across Africa.

In South Africa, 73.2% of our spend was with locally registered businesses. We prioritise purchasing from small and medium enterprises, black-owned and black-women owned entities. For qualifying entities, we provide preferential rates for projects funded through the Group's supplier development initiatives. We have moved away from asset-based criteria for small- and medium-enterprise funding and use secured supply or service contracts as the basis of funding. We also unbundle large contracts into smaller pieces of work, enabling emerging enterprises to participate in tenders.



In 2019, we:

- Contributed R248m to supplier development initiatives, which included capacity building and funding at preferential interest rates.
- Spent R2.7bn with 890 exempted micro-enterprises and 421 qualifying small enterprises; R5.7bn with 405 suppliers that were 30% or more black women-owned; R8.1bn with 783 suppliers that were 51% or more black-owned; and R162.7m in five designated suppliers categories, which included unemployed individuals, disabled people, youth, black military veterans, and people from rural and under-developed areas.

Partnerships in action

Bringing emerging black law firms into the mainstream

The Khulisa programme involves:

- i. The Absa Articles Programme, where Absa employees who are LLB graduates, complete their articles at black-owned law firms. This involves training and developing these candidates in various aspects of the legal profession.
- ii. The secondment of lawyers to Absa from small black-owned firms for six to 12 months, providing exposure for these lawyers to our business and customers.
- iii. Financial support through Absa Enterprise Supplier Development funding.

We believe that these steps will contribute towards addressing some of the growth challenges that emerging legal firms face, as well as towards positive transformation in the legal industry.

In Absa Regional Operations we spent R1.5bn and where possible, we select and contract with local entities. The launch of the new Absa brand allowed us to embark on multiple joint supplier relationships for our signage, ATM profiles installations and branch refurbishments. With our South African partners, we jointly identified in-country suppliers. These suppliers were trained and upskilled in order to complete the installation, as well as to have the capability to maintain and run business-as-usual projects going forward.

Work opportunities

Through our Citizenship and Transformation programmes, we provided R371m in education disbursements across Africa. In South Africa, we placed 3 564 youth through the Youth Employment Service initiative. We reached 2 000 high school learners in an employability, entrepreneurship and education programme; supported 2 000 learners at the Gauteng Department of Education's Schools of Specialisation; and across Africa, provided free e-learning to young people on our ReadytoWork platform.

Entrepreneurship

Over and above access to procurement opportunities, we support small and medium enterprises by providing access to financial services, as well as development support in the form of business skills, information, networks and markets. These interventions include training and strategic events; access to corporate customers and their value chains; and partnerships with non-profit organisations, global development organisations and government. Our structured approach to value chain financing blends our commercial funding with more affordable funds and/or guarantees from third parties to provide more affordable financing rates for emerging businesses that would not otherwise qualify for traditional finance. Some examples:

- Granted funding and technical resources which allowed the Khula! app entrepreneurs to redesign the app's ecosystem and platform to improve functionality and stability. Using the app, 3 000 small-scale farmers are able to lower costs, reference solutions and products to solve crop production problems; gain direct access to buyers through a virtual market place, thereby improving their profitability; access immediate payments and provide access information about short-term funding for crops.
- Hosted 20 South African small and medium enterprises in a two-year Accelerator Programme, through which global business owners gave entrepreneurs practical business tools through facilitated discussions on strategy, people management and financial management.
- At the 5th Annual Smart Supplier Conference, provided 600 small and medium enterprises with information on gaining market access and accredited supplier status by leveraging the provisions of the Broad-based Black Economic Empowerment and Preferential Procurement Policy Framework Acts. Presentations included how small and medium enterprises could use digital tools to enhance their competitive advantage.

- 75 small and medium enterprises in Uganda attended a three-month academy with topics covering finance, banking, regulation, corporate governance, strategy, supply chain, market establishment and branding.
- Reached 1 108 customers in Ghana through nine small- and medium-enterprise clinics covering financial management, taxation, succession planning, business fraud and trade services.

Focus on agriculture

The agricultural sector provides an opportunity for labour-intensive growth. In South Africa, we have prioritised collaboration with all stakeholders in the agriculture chain. Our specialists provide ongoing reports on local and global markets to help our customers make more informed decisions. We assist customers who experience challenges with proactive interventions, for example, where farmers have demonstrated good management skills and a solid track record, we offer payment extensions, balance sheet restructuring or capital holidays.

To enhance the viability of small-scale farmers, we have built supportive agri ecosystems which aim to reduce and mitigate risk and reduce barriers. This helps address many challenges these farmers face, providing them with technical knowledge, market access and access to finance through partnerships with fellow corporates, industry associations and business development organisations. For example, with committed market off-takes in place, we can lend against projected cash flows as opposed to relying on collateral.

Financial inclusion and literacy

We contribute to a more inclusive economy and the financial wellness of society by developing affordable, needs-based financial products delivered through innovative and convenient delivery channels. This is supported by consumer education and financial literacy training. We use various communication channels including ATMs, short message services, face-to-face exchanges and digital platforms to educate customers on managing the costs of everyday banking products.

A diverse set of transactional, savings, lending and insurance products meet the needs of the entry-level market. These include offerings such as Group Savings and PEP Money (South Africa), Atlas (Ghana), Motshelo (Botswana), Jumo (Ghana and Uganda) and Timiza (Kenya).

Discover more about our activities



**SME Growth:
Sofra Istanbul
Restaurant**



**SME growth:
Dreamland
Piggery**

Our consumer financial education empowers individuals to make informed choices through responsible financial management, while improving the broader economic inclusion of citizens. Over 149 000 beneficiaries have received consumer financial education. In Botswana, Madi Majwana entertains and educates people on financial management through a radio drama flighted on three radio stations and public roadshows, which includes performances at our branches. In 2019, the initiative reached 756 599 radio listeners; 210 905 social media users; and delivered 4 855 live theatrical performances across 14 villages and 10 branches.

Focus on affordable housing

In support of home ownership in South Africa, we have provided R2 152m in affordable home loans to 4 894 customers in South Africa, up by 53% since 2018. These include loans to 613 customers made through the South African Government's Finance-Linked Individual Subsidy Programme, as well as R1 697m in micro and personal loans to 47 150 customers for building activities. 5 342 customers participated in the borrower education programme, which covers key aspects of home ownership, home maintenance and personal financial matters. In support of the South African government's affordable housing development projects, we provided loans to the value of R6.7bn.

In our Absa Regional Operations, we continue to explore the use of various funding models that fit the requirements of target jurisdictions to support affordable housing and related opportunities. We also provide suitable cross-border lending into countries where we do not have a banking presence.

Community and social impacts

We deliver numerous community and social impacts, many of which are driven primarily through our central Citizenship function. Throughout the year, our customer facing businesses and support functions identified additional opportunities to deliver positive impacts.



Our #Stop campaign drove awareness in South Africa of the prevalence of gender-based violence. This evolved to #StopToStart where, working with the non-profit Growing Up Without A Father Foundation and leveraging our Absa Premiership sponsorship, we hosted interactive workshops and soccer-themed activations with more than 800 teenage boys. Select workshops featured positive male role models, including former Absa Premiership players.



Absa#StopToStart

Partnerships in action

Boosting trade finance in Africa

Over the past few years, banks headquartered in the United States and Europe have reduced their exposure to Africa, which has led to an acute shortage of trade finance capacity (particularly for small and medium enterprises) in countries in Africa that need it the most. This often prevents companies from taking advantage of opportunities to grow, secure export opportunities and increase employment. Working with the CDC Group, the United Kingdom's largest impact investor for Africa and South Asia, Absa secured a US\$100m trade finance loan. This, combined with a US\$75m direct loan, is CDC's largest trade finance commitment in Africa. This partnership will significantly boost our financial commitment to drive African trade and practically support local banks, businesses, small and medium enterprises and entrepreneurs, which are the real source of GDP growth and developmental transformation of African economies. In addition to reaching customers in our presence countries, we will also partner with other non-subsidiary correspondent banks across Africa.

Africa's first USD corporate social bond

By providing expertise and access to institutional investors and other global financial institutions with an appetite for social bonds, Absa was a joint book runner for Bayport Financial Services' heavily oversubscribed US\$260m senior unsecured social bond issuance which subsequently listed on the Nasdaq Stockholm Sustainable Bond List. Social bonds are instruments whose proceeds exclusively finance or re-finance projects that deliver a wider social impact, including, in this instance, job creation through the financing of small and medium enterprises and financial inclusion. Our participation contributes to our ambition to be a force for good, playing a shaping role in Africa's growth and sustainability.

Employees as a force for good

Our employees can participate in Group facilitated initiatives, such as ReadytoWork facilitation and mentoring, or they can volunteer their time, skills and knowledge and expertise individually or in teams in employee-led initiatives to support communities. Our Force for Good Portal is a digital platform providing the necessary information on the processes and resources, including work time volunteering, volunteering grants and matched funding. It also allows employees to share their volunteering and fundraising initiatives; to gather support; or to support other employees' initiatives.

Case study

Qhubeka is a Nguni word that means move forward.

As part of our strategy to move to our customers and the communities we serve, we partnered with Qhubeka to distribute 750 bicycles to children in the Drakenstein region of the Western Cape. A further 150 bicycles were delivered to Paarl Community Police Forum members to facilitate the fight against crime and assist in making the community safer. We hope that the 900 bicycles distributed will help communities by not merely by making children's lives easier, but by having a positive impact on their school attendance and academic performance. The bicycles were assembled by members of the Groot Marico and Paarl communities. Bicycle mechanics were trained as part of our Enterprise Development Programme and financial literacy training was provided to over 2 000 pupils.

Two solar installations were also built at these schools to address the clear need for more environmentally friendly ways of generating energy and to achieve long-term energy savings. Helping schools to own their own solar installations enables them to educate pupils firsthand on renewable energy sources and drive awareness of solar photovoltaic for years to come. Following this pilot, we aim to roll out to other schools in 2020.



process drives monitoring frequency. We do, however, review Equator Principle transactions at least annually.

In 2019, one project-related bridge loan was provided in accordance with the Equator Principles, while 84 general and 3 619 commercial property finance transactions were screened.

Value preservation for the Planet

We are aware of our role as environmental stewards. Our environmental impacts are indirect via our lending and investment practices; and direct via our environmental footprint.

The UN SDGs most impacted



We are aware of our role as environmental stewards. Our environmental impacts are indirect via our lending and investment practices; and direct via our environmental footprint.

The UNEP FI Principles for Responsible Banking will serve as the guiding framework for the Group's sustainability approach going forward. This encompasses climate risk disclosures, as envisioned in the Financial Stability Board's Task Force for Climate-related Financial Disclosures and society's goals, such as the UN SDGs, as well as relevant local regulations.

Climate risk management

Our revised Enterprise Risk Management Framework has widened the scope of conduct risk to include environmental risk as a key risk. After an extensive review, we finalised our revised Sustainability Policy and a standard for financing coal mining and new coal-fired electricity generation, which provides specific guidelines for coal-related financing. Going forward, we will add standards for financing other climate-sensitive sectors. We are participating in a pilot programme related to the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures for implementation.

Lending and investment practices

Our Client Assessment and Aggregation Policy and Environmental Risk Standard guide our customer relationships and our mitigation of environmental and social risks. The standard details the minimum requirements and controls for identifying transactions with potential environmental and social risks; outlines when the Equator Principles must be applied; and details the circumstances under which referral to the environmental credit risk management team is required. Where appropriate, environmental risk management monitoring requirements, including the agreed frequency, are included in loan contracts to manage applicable environmental, social or reputational risks. The significance of the environmental risks identified during the environmental risk assessment

In focus: Coal Financing Standard

Although there is a strong global trend away from using fossil fuels in power generation, Africa remains heavily reliant on coal for power. We recognise that power generation from coal contributes to air pollution and is the largest source of greenhouse gas emissions, which lead to global warming. Any policy decisions should therefore take a balanced view of the impact on the economies, their development plans, affected communities, investors, clients, other stakeholders and the environment. This standard, which applies to the Group and all its subsidiaries, supports the Group Sustainability Policy and our Enterprise Risk Management Framework. It applies to all new finance, including project finance and corporate lending to affected companies, as well as the use of any other financial vehicles, such as equity invested in companies.

The standard provides an overview of our position on financing coal mining and new coal-fired electricity generation; the minimum requirements fund coal mining; and specifics relating to the enhanced due diligence required for all new coal-related projects.

In addition to the focus on new thermal coal projects, we will apply an enhanced due diligence lens to financing companies that use metallurgical coal and coal used by companies in boilers and furnaces.

Climate change opportunities

In 2019, we provided funding to several independent power producers and small-scale embedded generation projects vertically integrating energy production into the existing business of agriculture, manufacturing, tourism, wholesale, and other customers. We continue to successfully fund commercial and industrial power purchase agreements and have launched new innovative financing solutions such as our Green Asset Finance, Renewable Energy Term Loans and Green Home Loans.

Started in 2010 by the South African government, the Renewable Energy Independent Power Producer Procurement Programme is the most significant contributor to South Africa's shift towards a low-carbon economy. To date, approval has been given for 92 projects with a total capacity of 6 322 MW. We have been involved in financing 33 projects with a combined capital value of R80bn and combined capacity of 2 916 MW (704 MW for solar photovoltaic, 1 837 MW for wind, 350 MW for concentrated solar technologies and 25 MW for biomass). This represents 46% of all renewable energy projects (by MW) awarded so far. There were no new deals approved in 2019.

Advocacy and awareness

Customer education and awareness is an important component of managing climate change and our activities in this area include events and customer visits to solar photovoltaic sites; thought leadership through newsletters, articles, social media posts and testimonials; and educational videos. We have introductory research available to customers on seven renewable energy technologies, face-to-face training initiatives, and four modules of training videos, which are accessible to employees. As a member of the South African Photovoltaic Industry Association, we proactively engage and collaborate on topics seeking to advance the industry.



Investing in renewable energy solutions



A R17.26bn deal, including R7.06bn in mezzanine B-BBEE debt for Enel Green Power South Africa, financing five wind farms with a total capacity of 700MW in the Northern Cape and Eastern Cape. The transaction was the first portfolio-based financing structure closed in Africa. The use of a portfolio funding structure reduced the credit risk to lenders and significantly improved pricing.



A R6.6bn deal to construct two wind farms with a total capacity of 250MW in the Eastern Cape was concluded with Global Mainstream Renewable Power. The project created jobs in two locations where unemployment is particularly high, and introduced water and electricity infrastructure into these areas.



Local renewable energy fund Nesa Investment Holdings acquired Makro's carport solar photovoltaic systems at stores across South Africa. The acquisition, which was funded from capital raised from Nesa's shareholders, with a debt facility provided by Absa Retail and Business Banking generates clean electricity that is fed directly into stores. This allows the stores to reduce their total monthly electricity bills, while alleviating pressure on the national electricity grid.

Direct environmental impact management

We aim to continuously mitigate our direct environmental impact. With this in mind, we have launched our 2030 Environmental Action Plan, which outlines a long-term measure to further reduce our environmental impact. Targets encompass energy, associated carbon emissions and carbon offsets, water, waste, paper, travel, and certified green buildings.

Large Absa offices in South Africa and Botswana have grey water recycling plants, rainwater harvesting and boreholes to reduce potable water consumption.

Our total energy consumption in 2019 decreased by 11.3%, while our carbon emissions decreased by 16.2%. Our portfolio includes five buildings with Green Star ratings, and we maintain 1.4MW of solar photovoltaics and use gas to generate a further 12MW. In South Africa, we also use bio-degradable materials in our canteens and saved 8m litres of water over the course of the year. We aim to reduce water consumption by a further 100m litres by 2030.

2030 Environmental Action targets

	2018 to 2019 trend	2030 target off 2018 baseline
Energy	11.3% reduction	30% reduction
Carbon	16.2% reduction	51% reduction
Water ¹	8m litres saved	100m litres saving
Waste ²	54% recycling	80% increase in recycling
Paper ²	26% recycling	50% reduction
Renewable energy	0.67% increase	10% increase
Travel	29% reduction	20% reduction
Certified green spaces	9.2%	33% increase
Carbon offsets	0%	100% increase

¹ Baseline not yet established.

² South Africa only.

Value creation in a regulated environment

Regulators and governments provide the legal and regulatory frameworks that guide the way we do business.

The UN SDGs most impacted



We support a sound and ethical operating environment and are committed to proactively engaging with regulators and other stakeholders, while simultaneously integrating ethical behaviour and good conduct within our culture. As we operate in a highly regulated environment, we follow a structured approach to ensure that the business processes, policies or system changes necessary for regulatory compliance are implemented.

In the normal course of business, regulators conduct reviews of our controls and progress in meeting regulatory requirements. Our communications with regulators are open and transparent and we engage constructively in inspections and investigations.

Market conduct

In terms of market conduct, we continue to monitor, implement and where required, perform impact assessments on various developments, including:

- Data privacy, the protection of personal information and cyber security in multiple jurisdictions.
- Responsible lending and insurance, where we continue to respond to the limitation of fees and interest rates and the maximum costs of credit life, and to engage with regulators on mechanisms for resolving over-indebtedness and providing debt relief.

We continue to respond to the following South Africa specific conduct-related legislation:

- The Financial Sector Regulation Act
- The Financial Sector Laws Amendment Bill
- The Conduct of Financial Institutions Bill
- The Financial Matters Amendment Bill
- The National Credit Amendment Act (debt intervention)
- Amendments in the Financial Advisory and Intermediaries Services Act.



Our Anti-Bribery and Anti-Corruption Policy and Standards are designed to help comply with the United Kingdom Bribery Act (2010), the United States Foreign Corrupt Practices Act, the South African Prevention and Combating of Corrupt Activities Act (2010) and Regulation 43 of the South African Companies Act. In South Africa, the Financial Intelligence Centre Amendment Act introduced a risk-based approach to customer due diligence, which requires co-operation with an appropriate sharing of information with designated authorities and other stakeholders. We continue to proactively identify and develop trends and typologies and remain committed to sharing intelligence gathered with identified stakeholders.

Prudential oversight

In terms of prudential oversight, we complied with key aspects of Basel III:

- Exceeded the capital requirements, with a core tier 1 equity ratio of 11.8%, above the South African Reserve Bank requirement of 7.5%.
- Achieved a liquidity coverage ratio of 139.9%, above the 2019 South African Reserve Bank minimum target requirement of 100%.
- Achieved a net stable funding ratio of 107.1%, above the minimum regulatory requirement of 100%.

We are in the process of implementing Basel III Finalising Post Crisis Reforms and engaging, via the Banking Association of South Africa, with the South African Prudential Authority on timelines.

Other notable matters

Separation programme updates were provided in engagements with the Prudential Authority and Absa Regional Operations banking entity regulators, who were also bilaterally updated through the Africa Supervisory College, facilitated by the South African Reserve Bank.

Our tax philosophy ensures that we pay the appropriate amount of tax in the jurisdictions in which we operate. We paid R6.7bn in direct corporate taxes in 2019, and a total of t R9.6bn including indirect taxes. This included our carbon tax contributions.

In 2019, there were several changes in terms of the B-BBEE regulatory landscape in South Africa. The Amended Financial Sector Code introduced revised targets and changes for the measurement of the criteria for empowerment financing and access to financial services. The Department of Trade and Industry also gazetted changes to the B-BBEE codes, affecting skills development and preferential procurement, as well as enterprise and supplier development. Several actions were initiated in response to these changes and we improved to a Level 1 B-BBEE contributor status.

The regulatory reforms in the Kenyan financial sector aim to strengthen consumer protection and improve transparency and competition. The Kenya

Banking Sector Charter intends to improve the access, quality and affordability of financial services. Institutions are expected to demonstrate:

- i Consumer input in product development.
- ii Strategic benefit of products to the consumer.
- iii Sustainability of product resources and competences; and
- iv employment of innovative and dynamic business models.

Partnerships in action

Taskforce against illegal wildlife trafficking

As a founding member of the United for Wildlife Financial Taskforce, we are driving awareness of the role of the financial industry in combatting this illegal activity. We are constantly improving the level of intelligence by understanding the money laundering typologies related to illegal wildlife trafficking. We are also developing machine learning analytical models to identify potential perpetrators and actively engage with various public sector groups, including in the South African Police Services, the Financial Intelligence Centre and the National Prosecuting Authority, to contribute to the ongoing improvement of our internal investigation capabilities.

In October 2019, we hosted an Illegal Wildlife Trafficking Academy in Kenya, which brought together experts and stakeholders from the financial industry, law enforcement, financial intelligence, NGOs and government to share knowledge and perspectives on the crime of illegal wildlife trafficking, its impact on East Africa and on what financial institutions can do to minimise or eliminate it. The Academy was oversubscribed, demonstrating that both the private and public sectors are determined to combat illegal wildlife trafficking.



Remuneration outcomes



Alex Darko
Remuneration Committee Chairman

Our remuneration philosophy supports the evolution of our culture and is aligned to our risk management approach.

In this Integrated Report, we present a summary of our remuneration outcomes for 2019. Further detail can be found in our full report.

2019 Remuneration Report

2019 in review

2019 was the first full year of our revised remuneration approach as we outlined in 2018. Our remuneration philosophy and the implementation of our remuneration policy underpins our strategy. It supports the evolution of our culture and is aligned to our risk management approach. It serves as an important catalyst to focus employee efforts on strategy execution, and to create sustainable value for our stakeholders in a manner that is both fair and responsible.

Our remuneration principles guide the actions we have taken in response to feedback from our shareholders, to ensure that our remuneration outcomes are aligned with shareholder and stakeholder interests.

In our remuneration decisions we consider market conditions and the Group's 2019 performance as outlined in this Integrated Report. The macroeconomic environment was tougher than expected, with GDP growth expectations being lowered in most of the countries in which we operate. The Group's financial performance was resilient as top-line momentum improved and headline earnings expanded slightly. However, the results were well below our ambitious budget and the improvements in two of our key strategic measures, namely the cost-to-income ratio and return on equity, were not yet evident. In terms of our strategy, we also set out to improve our position relative to the market and so assessing our performance relative to expected market results featured prominently in the modelling of the 2019 short-term incentive outcomes. Our long-term incentives continue to reference stretch performance targets, which adjust to changes in the operating environment.

The RemCo will assess the impact of the COVID-19 pandemic and will, at the appropriate time, consider the performance metrics and vesting conditions of performance-linked share awards.

Focus areas

We seek to offer a competitive remuneration proposition based on performance and informed by local and regional market practice. Therefore, we focused on embedding our remuneration philosophy, policy and principles by:

- Assessing the competitiveness of fixed remuneration;
- Aligning remuneration outcomes to short-, medium- and long-term value creation;
- Ensuring appropriate transparency;
- Ensuring sound reward governance with appropriate committee structures and separation of accountabilities; and
- Reviewing the remuneration of senior risk and control employees.

Shareholder engagement

We are committed to ongoing, constructive engagement with shareholders and held several engagements in 2019. We sought, as far as is practical, to address the feedback in our practices and disclosures.

Shareholders supported the progress made on remuneration, including the removal of role based pay.

Our response: We continued to enhance our remuneration policy and its implementation as outlined in the Remuneration Report.

Shareholders supported the disclosure of the long-term incentive targets for 2017 and 2019, as well as the stretch contained in the 2019 targets.

Our response: Our 2020 long-term incentive targets include stretch financial and non-financial metrics, aligned to peers' practice. These are consistent with those applicable to our 2019 awards (page 12 of our 2019 Remuneration Report).

Shareholders were concerned about termination arrangements in respect of senior leaders.

Our response: The RemCo reviewed the termination arrangements for executives. Eligible leaver treatment was permitted on a highly exceptional basis within the parameters of our policy. The committee differentiated between types of awards, and introduced specific provisions regarding proportional vesting of long-term incentives in cases where eligible leaver status was awarded.

Shareholders were of the view that there was room for improvement in the disclosure of the links between performance and short-term incentives, at a pool level and regarding our disclosed officers.

Our response: We outline the enhancements to our performance pool methodology and resulting short-term pools, as well as the remuneration outcomes for individual disclosed officers.

Shareholders expressed some concern regarding the total remuneration levels of our disclosed officers compared to those of our peers, especially within the context of Absa Group's relatively lower performance.

Our response: We benchmarked remuneration levels of our disclosed officers to those of our banking peers, with consideration of our expected relative performance. Our short-term incentive pools were approved considering relative market performance, with individual awards to disclosed officers based on a combination of Group, business unit (where applicable) and individual performance. We also increased our emphasis within the remuneration mix on long-term incentives for most of our disclosed officers. The details are set out on pages 76 to 80.

Our remuneration principles

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



Our policy in 2019 and key enhancements for 2020

2019 was the first full year of the new remuneration philosophy and policy. This followed our regulatory deconsolidation from Barclays and our subsequent ability to align to local and regional market practice.

In line with shareholder feedback, our performance short-term incentive pool modelling is now referenced to relative market performance and the financial budget, together with an internally-determined non-financial outcome.

We have made the following enhancements for 2020:

- 1. Short-term incentives:** For deferred short-term incentive awards made from 2020 onwards (i.e. in relation to awards for the 2019 performance year), the full deferral will be into Absa Group shares or phantom shares, if an individual may not hold actual Absa Group shares. In prior years, the default deferral was 50% in cash and 50% in shares, with the option to receive the full deferred value in Absa Group shares.
- 2. Long-term incentives:** Following shareholder approval of the Absa Group Share Incentive Plan at the 2019 annual general meeting, our approach to long-term incentives has changed for awards made from 2020 onwards. These changes align to the market practice of our banking peers. The key enhancements below create an incentive to outperform relative to target performance levels, and drive improved long-term performance that delivers sustainable shareholder value.
 - Awards will be made at on-target level.
 - Awards will remain subject to fulfilment of stretch Group performance targets, which include financial and non-financial metrics (page 12 of the 2019 Remuneration Report).
 - Upside adjustment as a result of material outperformance of the Group performance targets may apply up to 150% of the on-target award.
 - Downside adjustment in the event of under performance of the Group performance targets may apply, including to 0% vesting.
 - Where eligible-leaver treatment on awards is granted (at RemCo's discretion and subject to the rules of the plan), awards will, in all instances, be prorated for the time served during the vesting period of the award. The awards will remain in the plan until the normal vesting date and remain subject to the fulfillment of the relevant Group performance conditions.
 - Long-term incentive awards will not be made to individuals who are within three years of their contractual retirement age.

Risk and Remuneration

Regulatory compliance and remuneration governance

Our remuneration policy, principles and practices align with the requirements of the South African Companies Act, the Banks Act, the principles and recommended practices of King IV and the relevant JSE Listings Requirements. We have also been mindful of broader remuneration governance guidance and frameworks, including the Financial Stability Board's Principles for Sound Compensation Practices.

Given the pan-African nature of our operations, the RemCo is mindful of the regulatory and corporate governance requirements in each of our operating environments and takes these into account in our remuneration governance. Final decisions regarding remuneration, including salary mandate, bonus pool and executive awards, are taken by the relevant Absa Regional Operations country/subsidiary bank boards, with input from the accountable Group executives and the RemCo where appropriate.

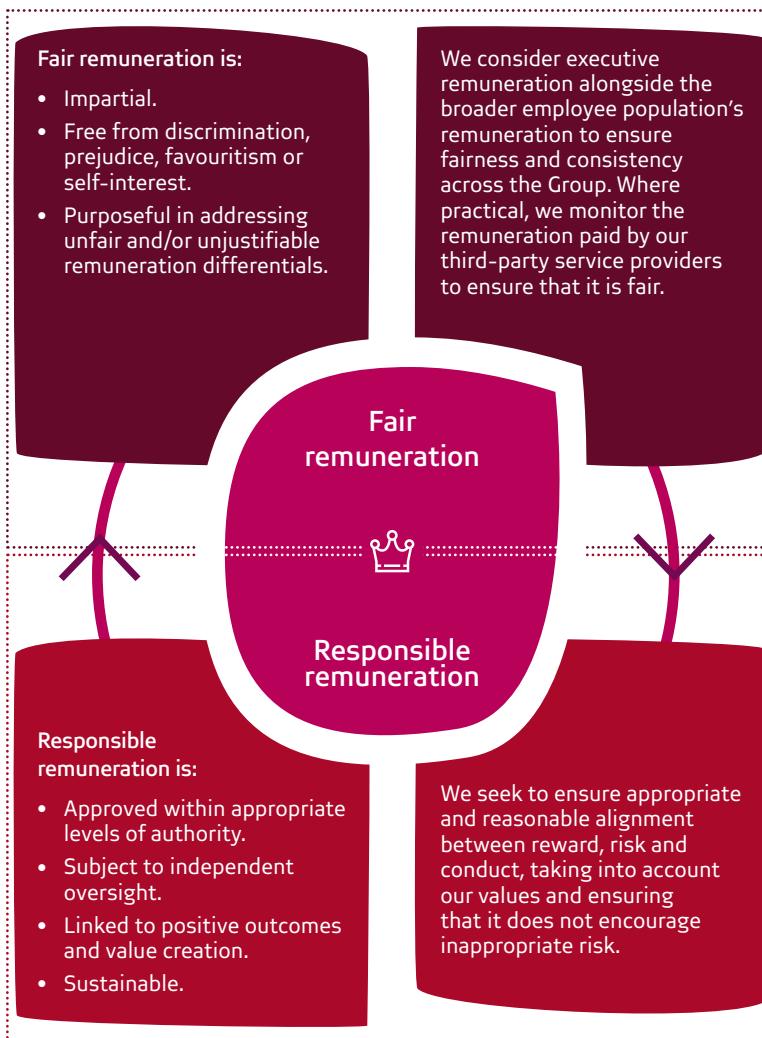
Malus and clawback

Malus and clawback remain important features of our remuneration philosophy, allowing for the risk adjustment of awards already made and, in the case of clawback, awards already vested or paid out.

Remuneration outcomes continued

Fair and responsible remuneration

We are committed to delivering fair and responsible remuneration that is externally competitive and internally equitable.



Delivering fair and responsible remuneration:

- Our Remuneration Review Panel, a sub-committee of the Executive Committee (ExCo), is chaired by the Chief Risk Officer. This panel makes recommendations on adjustments to incentive pools, individual awards as well as malus adjustments and clawbacks in the event of conduct, compliance, control, regulatory or ethical issues arising that impact on, or are impacted by, remuneration. In the event of senior executives possibly being implicated in any matter of concern, this would be escalated to the Directors' Affairs Committee.
- We review pay differentials to establish the reasons for these. Where disparities exist that are not based on objective criteria, such as seniority, role content, experience and performance, we endeavour to take steps to address these.

Our approach to performance management

Performance management supports our commitment to fair and responsible remuneration and so must be objective and have a strong developmental focus. Each employee agrees to a set of objectives and measures of success against which they are assessed, considering what is delivered and how it is delivered. This ensures a balance between the achievement of performance objectives and conduct and culture.

Individual performance is a key input into short-term incentive decisions and may also inform below market fixed remuneration decisions, especially where individuals are positioned below market fixed remuneration levels. Where full-year individual performance falls below expectations and needs improvement, employees are typically ineligible to receive short-term incentive awards.

Elements of total remuneration

We include the following remuneration elements in the composition of our total remuneration package:

- 1. Fixed remuneration:** the basis for a competitive total remuneration package and is the remuneration for the content of the role and the individual's skills, and reflects the prevailing market rate for the role. Our policy is generally to aim for market median rates of pay, however talent retention (including scarce and critical skills) and transformation imperatives are important considerations, which lead in some cases to above-market fixed remuneration levels.
- 2. Short-term incentives:** reward sustainable performance, achieved within risk appetite, based on company, business unit, team and individual results. The use of deferral into shares supports retention and creates a medium-term focus which is aligned to shareholder interests through a link to the Absa Group share price over the vesting period.

- 3. Long-term incentives:** should (i) align shareholder and executive interests over the long-term, reference the Absa Group share price; and be subject to the achievement of Group performance targets; (ii) align employees who can materially influence the delivery of the Absa strategy in terms of long-term, sustainable future performance; (iii) enable retention of key employees by providing wealth creation opportunities aligned to shareholder value; and (iv) in principle, be considered every year to build momentum on the delivery of the long-term performance outcomes aligned to the strategy. There is no individual entitlement to an award in each year.

Other remuneration elements which are used as circumstances require, include:

- 1. Project incentives:** support the delivery of key strategic and business projects by offering a bespoke incentive. Retention and project delivery are the key objectives.
- 2. Formulaic incentives:** linked to the achievement of specifically agreed business performance targets within the agreed risk appetite and considering conduct outcomes.

Our short-term incentives

Our short-term incentive pool methodology incorporates a hybrid top-down and bottom-up approach. Top-down determines the overall Group and business unit/support function affordability, whereas the bottom-up reflects the employee demand against the Group and business unit/support function pools considering individual performance. The pool determination is primarily formulaic but retains RemCo discretion for affordability and risk considerations at Group level and, at an individual level, for ExCo and the other senior executives to mitigate unintended outcomes. Management discretion applies for other individual outcomes. The approach, informed by market practice, helps to provide a more explicit pay-for-performance link between the Group, business units'/support functions' and employees' objectives and performance and incentive outcomes.



Remuneration outcomes continued

Increased leverage to Group performance is achieved by applying a performance modifier, which references financial and non-financial performance measures. For 2019, the financial targets were referenced to expected levels of market performance, and the short-term financial plan, together with an internally determined non-financial outcome.

Our performance

We considered the following salient features of the 2019 normalised Group financial results in making remuneration decisions:

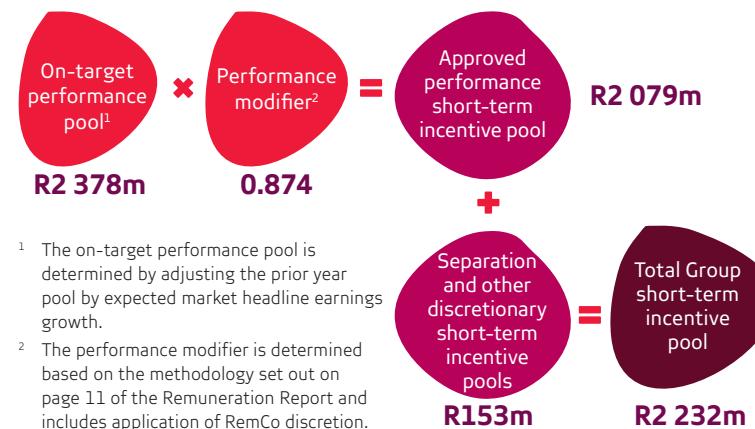
- Headline earnings increased 1% (flat in constant currency) to R16.3bn. Expected banking peers' growth in earnings was between 3% and 5% at the time of determining the incentive pools.
- Revenue increased by 6% (5% in constant currency), with higher growth in RBB SA in particular. This growth was expected to be similar to South African peers.
- Return on equity decreased to 15.8% from 16.8% and profit after regulatory capital charges was lower than expected reducing to R2.1bn from R2.9bn.
- The cost-to-income ratio increased slightly to 58.0% from 57.7%. This reflects the impact of restructuring charges and additional run costs after the Separation, partly offset by approximately R3bn in targeted cost reductions.
- Organisation health, including Customer franchise health, the Control environment and Colleague health, was assessed as 'partially met' based on the following considerations:
 - Customer: customer franchise health has generally improved, and customer numbers have stabilised. However, transactional customer numbers and primacy were lower than expected.
 - Control: the control environment assessment has shown an improving trend; however several areas still require focus in 2020.

- Colleagues: key restructuring initiatives were completed, and employee surveys showed improved sentiment, although there is more to be done on employment equity and the retention of key talent.

Our short-term incentive pools

The outcome of our decisions was reflected in a final **total Group short-term incentive pool** for 2019 of R2 232m, which was 9% lower than the **total** 2018 pool of R2 448m.

The pool was determined as follows:



- The on-target performance pool is determined by adjusting the prior year pool by expected market headline earnings growth.
- The performance modifier is determined based on the methodology set out on page 11 of the Remuneration Report and includes application of RemCo discretion.

The performance short-term incentive pool of R2 079m is down by 8%. The modelled outcome was 7% down and the RemCo applied a further 1% downward modifier, which is included in the figure above. This was applied to reflect a number of factors, particularly the downward trend in return on equity and profit after regulatory capital charges.

A review of banking peers' short-term performance incentive pools, based on publicly available information at the time the pools were determined, shows that the Group's short-term incentive pools are lower than those of our peers, which reflects our historical comparative underperformance.

Under the short-term incentive arrangements (page 11 of the Remuneration Report) we expect variable remuneration to increase over time, provided that the performance of the Group improves in line with our medium-term financial targets and relative to our peer group.

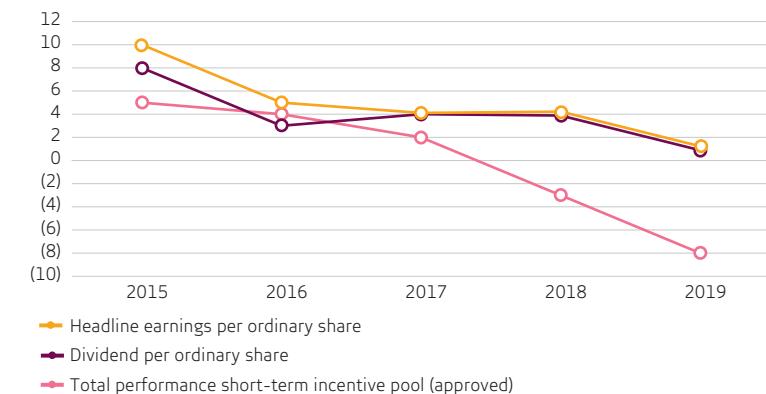
The short-term incentive pool allocated to ExCo members was R67m for 2019 (2018: R94m). This reflects the impact of Group and individual performance on remuneration outcomes, changes in the membership of the ExCo as well as in some individuals' roles in 2019.

The Separation and other discretionary short-term incentive pool is in addition to the performance pool of R2 079m and is allocated to (i) employees who work wholly or substantially on the Separation or (ii) those who participate in an approved standalone plan for our investment management operation. These individuals do not participate in the Group performance pool. The Separation incentive pool will fall away on completion of the Separation. ExCo members do not participate in the Separation incentive pool.

Short-term incentives in the context of headline earnings and dividends

The chart below illustrates the trends in our headline earnings per ordinary share, dividend per ordinary share and approved performance short-term incentive pools to demonstrate the relationship between Group performance and the short-term incentivisation. The chart shows that, in each of the previous five years, the growth of the performance short-term incentive pool was lower than the headline earnings per share growth.

Short-term incentives, headline earnings and dividends (% growth)



For 2019, the performance short-term performance incentive pool reduced by 8% relative to 2018, with growth in headline earnings per ordinary share and dividend per ordinary share being 1% each.

We also considered our total shareholder return relative to our banking peers in approving the final performance short-term incentive pool. For the period 1 January to 31 December 2019, our total shareholder return was -0.8%, marginally behind Standard Bank at -0.3% and FirstRand at 0.2%, but ahead of Nedbank at -16.8%. Further detail in this regard is set out on pages 3 – 4 of the Remuneration Report.

The reduction in the performance short-term incentive pool is appropriate within the context of the overall financial and non-financial performance of the Group, its relative market performance, and our shareholders' experience.

Our long-term incentives

Long-term incentive awards, in the form of performance shares, may be awarded to eligible senior employees based on criteria set by the RemCo and in accordance with the policy and plan rules from time to time. These awards are subject to Group performance targets, which apply over a minimum performance period of three financial years and a continued employment condition. For ExCo members, vesting is in equal proportion on the third, fourth and fifth anniversaries from the date of grant. Awards for the other participants vest on the third anniversary of the grant date.

Awards made in 2020 will vest from 2023, subject to the fulfilment of the Group performance targets. To the extent that dividend equivalents on unvested long-term incentive awards are included in the awards, these will only be paid if, and to the extent that, the awards vest. These will be added to the original award at time of vesting.

Awards will only vest at stretch levels in cases of significant outperformance.

Executive director and prescribed officer remuneration

Group Chief Executive transition

2019

Maria Ramos retired on 28 February 2019, on reaching her contractual retirement age of 60 years. Consistent with the Group's policy on retirement, Maria was granted eligible leaver status on her unvested restricted shares, deferred short-term incentive and long-term incentive awards. All awards subject to eligible leaver treatment remain in the respective plans until the originally scheduled vesting dates. Vesting of the 2017 long-term incentive award is also subject to fulfilment of the Group performance conditions applicable to the award. Maria received only fixed remuneration (including payment for unutilised leave) in 2019 for her two months as Group Chief Executive.



René van Wyk, who was an independent non-executive director on the Group Board, was appointed as an executive director on 1 February 2019, and was appointed Group Chief Executive from 1 March 2019. René was appointed on a fixed term contract which included a provision to participate in the Group's short-term incentive arrangements for the period he served as Group Chief Executive (10 months). His contract ran for 12 months which was the maximum originally contemplated at the time of contracting, and covered both executive director and Group Chief Executive roles.

René's remuneration for 2019 includes fixed remuneration for February to December 2019 as well as his 2019 short-term incentive which was paid in March 2020. The remuneration paid in January 2019, when René was a non-executive director, is disclosed in the non-executive director remuneration table (page 32 of the Remuneration Report).

René stepped down as Group Chief Executive on 14 January 2020 but remained an executive director until 31 January 2020 for handover purposes. René began serving his statutory six month cooling off period from 1 February 2020, whereafter it is contemplated that he will re-join the Group Board as a non-executive director.

2020

Daniel Mminele was appointed as Group Chief Executive effective from 15 January 2020. As part of his contractual terms, Daniel will receive:

- A cost-to-company package of R9 000 000
- A long-term incentive award, in April 2020, of R15 000 000 (on-target value at award), which will be subject to the relevant Group performance conditions set out on page 12 of the Remuneration Report. This will vest, subject to fulfilment of the Group performance targets, on the third, fourth, and fifth anniversaries of the grant date.

Daniel will participate in the 2020 short-term incentive arrangements, with an on-target award of R15 000 000. The actual award will be made in March 2021 subject to Group and individual performance. Based on our deferral policy, the total 2020 short-term incentive will be delivered 50% in cash, with 50% deferred into Absa Group shares which will vest in equal tranches on the first, second and third anniversary of the grant date. There were no sign-on or buy-out awards applicable as a result of Daniel joining the Group.

Awarded remuneration outcomes for our executive directors and prescribed officers

These disclosures set out the details of the 2019 performance and the associated awarded remuneration for the Group's executive directors and prescribed officers.

René van Wyk
Group Chief Executive 2019



Performance and remuneration outcome

Overview of Group financial performance

Headline earnings increased by 1% (flat in constant currency) against a challenging South Africa backdrop as revenue (up 6%) and pre-provision profits (up 5%) showed improved momentum offset by higher impairments following faster balance sheet growth and increased coverage. Underlying quality of earnings is assessed as being stronger than published results having regard to some once-off costs incurred during the year and also Retail and Business Banking impairment increases.

Overview of personal contribution

René provided visible leadership during the year to all geographies and business areas, including with colleagues, customers and regulators. Under René's leadership, there was progress on implementation of the strategy.

Separation is on track as per agreed milestones.

René handled the interim nature of his assignment with gravitas and sensitivity.

Remuneration outcomes

René received a cost-to-company package of R9.17m, which is prorated for the period 1 February 2019 to 31 December 2019 during which he served as an executive director and the Group Chief Executive.

As disclosed in our 2018 Remuneration Report, René's maximum annual short-term incentive was set by the Board at R10m. This was prorated for his 10 months service in the Group Chief Executive role, equating to an on-target short-term incentive of R8.33m.

The Board awarded René a short-term incentive of R6m, based on Group performance and his individual contribution as Group Chief Executive during the year. This was paid to him in cash in March 2020 with no deferral.

Awarded remuneration

	2019 R
Salary	9 166 667
Role based pay	–
Medical aid	–
Retirement benefits	–
Other employee benefits	–
Total fixed remuneration¹	9 166 667
Non-deferred cash award	6 000 000
Deferred cash award	–
Deferred share award	–
Total short-term incentive²	6 000 000
Face value of long-term incentive award (on-target award)	–
Total awarded remuneration	15 166 667

¹ René's salary was paid during 2019 for the time he was an executive director and as Group Chief Executive (February to December 2019). Fees paid in January 2019 as a non-executive director are set out in the non-executive directors' remuneration tables on page 32. René was not eligible to participate in any employment benefit arrangement.

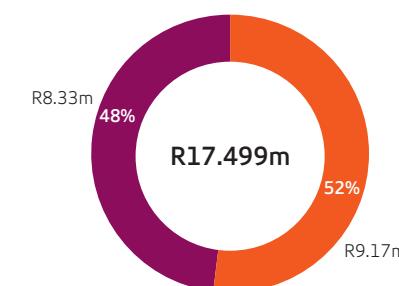
² Short-term incentive in respect of 2019 performance as Group Chief Executive (March to December 2019).

2019 Awarded remuneration vs on-target remuneration

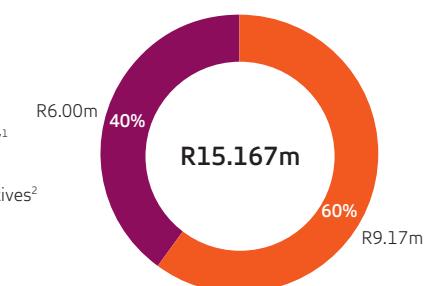
René received **awarded** remuneration of R15.2m relative to his prorated **on-target** remuneration potential of R17.5m, due to the allocation by the Board of a short-term incentive at below the target level.

The composition of the **on-target** and **awarded** remuneration for René is set out below.

On-target



Awarded



¹ Cost-to-company paid during 2019

² Short-term incentives in respect of 2019 performance



Peter Matlare

Deputy Group Chief Executive and Chief Executive: Absa Regional Operations (ARO)



Performance and remuneration outcome

Overview of ARO financial performance

Headline earnings increased by 16% (12% in constant currency) reflecting 14% growth in revenue (11% growth in constant currency) and 17% growth in pre-provision profits (14% growth in constant currency), a solid performance against the backdrop of the separation activities required in the business during 2019. Return on equity increased from 18% to 19%.

During 2019, the operating model for ARO changed, which resulted in corporate and investment banking operations within ARO countries being subject to oversight by Corporate and Investment Bank.

Overview of personal contribution

Peter delivered a strong performance in 2019. The delivery on preparing ARO for the change to the Absa brand was well done, laying a solid foundation for the execution of this change in 2020. Two operations were successfully rebranded in 2019. Peter also played a critical role with regulators, boards and other stakeholders in preparing for the brand change, and as regards to operational delivery through the year. Separation in ARO is on-track.

While ARO delivered a solid performance in 2019, the Board noted that within these results, some operations fell short of expectations, with others exceeding expectations. There is further work to be done in regard to costs in the ARO business, and to progress delivery on the overall ARO strategy.

A key focus area for 2020 for Peter, continuing the partnership with Charles Russon, will be the embedment of the pan-African Corporate and Investment Bank operating model. This requires strong collaboration between ARO and Corporate and Investment Bank to build the necessary capability and teams across the continent, to deliver on the strategy.

Remuneration outcomes

Peter will not receive a cost-to-company increase in 2020, in line with the approach agreed by the Board for executive directors and prescribed officers.

Peter's short-term incentive for 2019 is R11m, broadly flat on prior year. This is below his on-target short-term incentive award of R13.5m, with the on-target award having been set cognisant of the fact that Peter had previously been a recipient of role based pay. His 2019 short-term incentive reflects the stable year-on-year performance delivered by Peter, in a context where the overall Group short-term incentive pool was down on prior year. The award was delivered 50% in cash in March 2020 with the balance to be deferred into Absa Group shares to vest in equal tranches on the first, second and third anniversaries of grant date.

Peter is less than three years from his contractual retirement date and therefore is ineligible for participation in the long-term incentive arrangements. His last award was in March 2019.

Awarded remuneration

	2019 R	2018 R
Salary	6 493 177	5 963 759
Role based pay	–	2 625 000
Medical aid	193 881	198 528
Retirement benefits	552 292	480 633
Other employee benefits	19 964	39 154
Total fixed remuneration	7 259 314	9 307 074
Non-deferred cash award	5 500 000	5 505 000
Deferred cash award ¹	–	2 752 500
Deferred share award ¹	5 500 000	2 752 500
Total short-term incentive	11 000 000	11 010 000
Face value of long-term incentive award (on-target award) ^{2,3}	–	9 750 000
Total awarded remuneration	18 259 314	30 067 074

¹ All short-term incentive deferral will be in shares for 2019. The split of deferred cash and deferred shares in 2018 shown at the time of publication of the 2018 Remuneration Report. Peter subsequently elected to receive 100% of his deferral in Absa Group shares.

² This is the 'on-target' value of the award. The award reflected in 2018 was made in March 2019.

³ Peter did not receive a long-term incentive in award for 2019 (to be allocated in 2020) given his proximity to retirement.

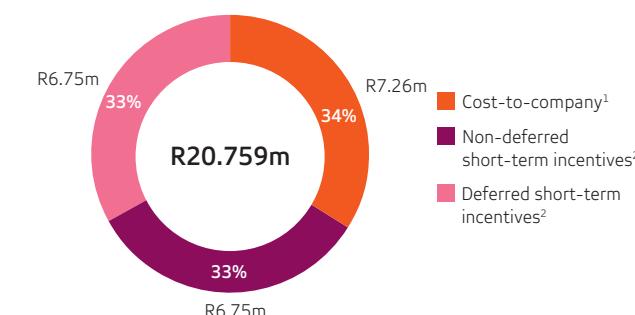
2019 Awarded remuneration vs on-target remuneration

Peter received **awarded** remuneration of R18.3m relative to his **on-target** potential of R20.8m. This is due to his short-term incentive being below the on-target value.

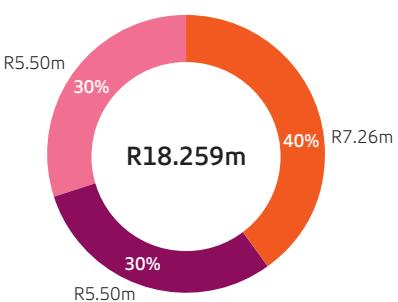
He does not qualify for a long-term incentive award given his proximity to retirement.

The composition of the **on-target** potential and **awarded** remuneration for Peter is set out below.

On-target



Awarded



¹ Cost-to-company paid during 2019

² Short-term incentives in respect of 2019 performance


Jason Quinn
Group Financial Director

Performance and remuneration outcome
Overview of Group financial performance

Headline earnings increased by 1% (flat in constant currency) against a challenging South Africa backdrop as revenue (up 6%) and pre-provision profits (up 5%) showed improved momentum offset by higher impairments following faster balance sheet growth and increased coverage. Underlying quality of earnings is assessed as being stronger than published results having regard to some once-off costs incurred during the year and also Retail and Business Banking impairment increases.

Overview of personal contribution

Jason delivered a very strong performance during the year. He played a key leadership role in the delivery of a number of critical strategic initiatives. Jason added significant value to the Group's engagement with shareholders and other stakeholders, building Absa's profile and reputation. As Group Financial Director, he maintained the quality and integrity of the financial numbers and reporting during a difficult trading year. He demonstrated a high level of organisational leadership during the period of Group Chief Executive transition.

Remuneration outcomes

Jason will not receive a cost-to-company increase in 2020, in line with the approach agreed by the Board for executive directors and prescribed officers, and with the intention to increase, over time, the proportion of the total remuneration mix that is variable and subject to performance.

Jason was awarded a short-term incentive of R11.5m (approximately 3% down on prior year and marginally above his on-target short-term incentive of R11m) to reward his performance as Group Financial Director, but also in recognition of the leadership role that he played through the Group Chief Executive transitions in 2019. The award was delivered 50% in cash in March 2020, with the balance to be deferred into Absa Group shares to vest in equal tranches on the first, second and third anniversaries of the grant date.

Jason will be awarded a long-term incentive of R12m (face value at the on-target performance level), to be measured over the 2020 – 2022 performance period. This will vest subject to the fulfilment of the Group performance targets, in equal tranches on the third, fourth and fifth anniversaries of the grant date. This award is higher than the value indicated in his on-target remuneration mix (R10m) as the Board seeks to incentivise future performance and the creation of shareholder value over the long term. This is also in line with the principle of, over time, making a greater proportion of the total remuneration mix subject to performance, and in this instance, longer-term performance.

Awarded remuneration

	2019 R	2018 R
Salary	5 428 393	5 269 074
Role based pay	–	–
Medical aid	106 812	98 436
Retirement benefits	417 706	418 519
Other employee benefits	56 402	40 321
Total fixed remuneration	6 009 313	5 826 350
Non-deferred cash award	5 750 000	5 898 000
Deferred cash award ¹	–	2 949 000
Deferred share award ¹	5 750 000	2 949 000
Total short-term incentive	11 500 000	11 796 000
Face value of long-term incentive award (on-target award)²	12 000 000	10 000 000
Total awarded remuneration	29 509 313	27 622 350

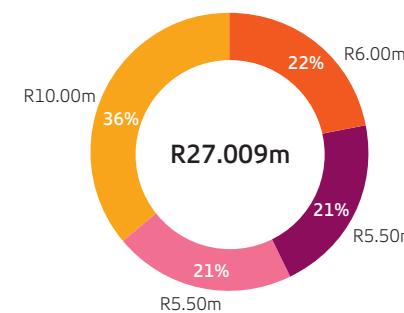
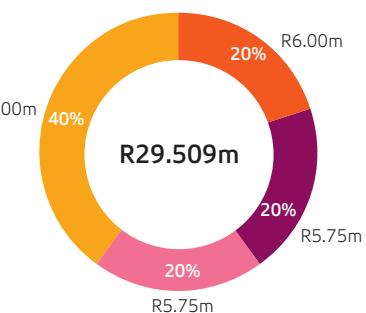
¹ All short-term incentive deferral will be in shares for 2019.

² This is the 'on-target' value of the award. The award reflected in 2018 was made in March 2019, and that reflected in 2019 will be made in April 2020.

2019 Awarded remuneration vs on-target remuneration

Jason received **awarded** remuneration of R29.5m relative to his **on-target** potential of R27m. This is due to the allocation of a short-term incentive and a long-term incentive award above the level indicated in the on-target potential remuneration mix, as described in the commentary on the left.

The composition of the **on-target** potential, and **awarded** remuneration for Jason is set out below.

On-target

Awarded


¹ Cost-to-company paid during 2019

² Short-term incentives in respect of 2019 performance

³ Long-term incentive to be awarded in April 2020



Arrie Rautenbach

**Chief Executive: Retail and Business Banking
South Africa (RBB)**



Performance and remuneration outcome

Overview of RBB financial performance

Headline earnings reduced by 2% following improved momentum in revenue (up 5%) and pre-provision profits (up 7%) which was offset by increased impairments following faster balance sheet growth and higher coverage levels. Underlying quality of earnings is considered to be stronger than published results, mainly having regard to the drivers of the increase in impairments and restructuring costs incurred during the year. Return on equity reduced from 23% to 21%, however the cost-to-income ratio improved to 57.7% following 1% positive operating JAWS.

Overview of personal contribution

Arrie produced a very strong performance in his first full year as CE: RBB. He delivered well on the task of changing the RBB business from being a bureaucratic, siloed business to one that has increased customer focus and the appropriate devolution of authority. He has built a strong and transformed leadership team, which is well placed to take the business forward and deliver on the RBB strategy. The RBB transition is well on track. Positive feedback has been received from shareholders and analysts, with Arrie assuming a leading role in engagements with these key stakeholders. The integration of the Wealth, Investment Management and Insurance business into RBB was managed without any material issues.

Remuneration outcomes

Arrie will not receive a cost-to-company increase in 2020, in line with the approach agreed by the Board for executive directors and prescribed officers, and with the intention to increase, over time, the proportion of the total remuneration mix that is variable and subject to performance.

Arrie was awarded a short-term incentive of R11m (marginally down on prior year). His short-term incentive is below his on-target short-term incentive of R12m, with this outcome based on a combination of Group and RBB performance. The award was delivered 50% in cash in March 2020, with the balance to be deferred into Absa Group shares to vest in equal tranches on the first, second and third anniversaries of the grant date.

Arrie will be awarded a long-term incentive of R12m (at face value, at the on-target performance level), to be measured over the 2020 – 2022 performance period. This will vest subject to the fulfilment of the Group performance targets in equal tranches on the third, fourth and fifth anniversaries of the grant date. This award is higher than the value indicated in his on-target remuneration potential mix, as the Board seeks to incentivise future performance and the creation of shareholder value over the long term. This is also in line with the principle of, over time, making a greater proportion of the total remuneration mix subject to performance, and in this instance, longer-term performance.

Awarded remuneration

	2019 R	2018 R
Salary	6 465 313	3 709 282
Role based pay	–	1 194 444
Medical aid	144 288	96 337
Retirement benefits	157 676	120 632
Other employee benefits	492 096	335 929
Total fixed remuneration¹	7 259 373	5 456 624
Non-deferred cash award	5 500 000	5 652 500
Deferred cash award ²	–	2 826 250
Deferred share award ²	5 500 000	2 826 250
Total short-term incentive	11 000 000	11 305 000
Face value of long term incentive award (on-target award)³	12 000 000	10 250 000
Total awarded remuneration	30 259 373	27 011 624

¹ Arrie's fixed remuneration for 2018 is disclosed on a pro-rata basis only for the period during which he was a prescribed officer (April to December 2018).

² All short-term incentive deferral will be in shares for 2019. The split of deferred cash and deferred shares in 2018 shown at the time of publication of the 2018 Remuneration Report. Arrie subsequently elected to receive 100% of his deferral in Absa Group shares.

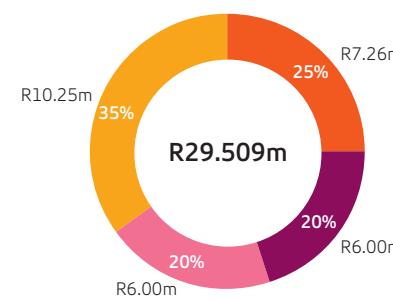
³ This is the 'on-target' value of the award. The award reflected in 2018 was made in March 2019, and that reflected in 2019 will be made in April 2020.

2019 Awarded remuneration vs on-target remuneration

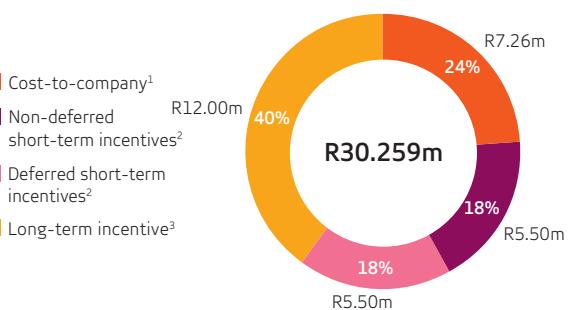
Arrie received **awarded** remuneration of R30.3m relative to his **on-target** potential of R29.5m. This is due to the combined impact of a below-target level of short-term incentive and the allocation of a long-term incentive award above the level indicated in the on-target remuneration potential mix, as described in the commentary on the left.

The composition of the **on-target** potential, and **awarded** remuneration for Arrie is set out below.

On-target



Awarded



¹ Cost-to-company paid during 2019

² Short-term incentives in respect of 2019 performance

³ Long-term incentive to be awarded in April 2020



Charles Russon

Chief Executive: Corporate and Investment Bank (CIB)



Performance and remuneration outcome

Overview of CIB financial performance

On a pan-African basis, CIB's headline earnings increased by 3% (1% on a constant currency basis) following strong top-line growth in the Absa Regional Operations CIB business offset by lower revenues from South Africa reflective of a challenging period in the South Africa Markets business. Return on equity declined from 21% to 18% and the low returns of the South Africa business remain a focus.

Overview of personal contribution

This was Charles' first year in the CE: CIB role. Despite challenging market conditions, he delivered a strong performance overall, setting in place the foundations for 2020. This includes putting in place the right leadership structure and building capability in the CIB business. However, the disappointing performance of the CIB SA Markets business was noted. While progress has been made in building the pan-African CIB franchise, this remains a key focus for 2020. Charles, in partnership with Peter Matlare, will give appropriate attention to this key deliverable.

Remuneration outcomes

Charles became CE: CIB in November 2018. His on-target remuneration mix for 2019 in this role is set out in the accompanying chart. Charles will not receive a cost-to-company increase in 2020, in line with the approach agreed by the Board for executive directors and prescribed officers, and with the intention to increase, over time, the proportion of the total remuneration mix that is variable and subject to performance.

Charles was awarded a short-term incentive of R8.35m. This is flat on the prior year short-term incentive awarded to him as CE: Engineering Services. As CE: CIB, Charles' remuneration mix was amended to include higher short-term incentive potential, in line with market practice in corporate and investment banks. Charles' 2019 short-term incentive is below his on-target short-term incentive of R14m, with this outcome reflective of Group and particularly CIB performance. The Board specifically considered the challenges experienced in the CIB South Africa operations in determining Charles' short-term incentive. The award was delivered 50% in cash in March 2020, with the balance to be deferred into Absa Group shares to vest in equal tranches on the first, second and third anniversaries of the grant date.

Charles will be awarded a long-term incentive of R9.15m (at face value, at the on-target performance level), to be measured over the 2020 – 2022 performance period. This will vest subject to the fulfilment of the Group performance targets in equal tranches on the third, fourth and fifth anniversaries of the grant date. This award is higher than the value indicated in his on-target remuneration mix of R7m, as the Board seeks to incentivise future performance and the creation of shareholder value over the long term. This is reflective of the sound foundations having been laid in the CIB business for future performance. It is also in line with the principle of, over time, making a greater proportion of the total remuneration mix subject to performance, and in this instance, longer-term performance.

Awarded remuneration

	2019 R	2018 R
Salary	5 611 628	874 952
Role based pay	–	–
Medical aid	180 432	25 751
Retirement benefits	160 851	25 007
Other employee benefits	56 402	5 615
Total fixed remuneration¹	6 009 313	931 325
Non-deferred cash award	4 175 000	4 178 000
Deferred cash award ²	–	2 089 000
Deferred share award ²	4 175 000	2 089 000
Total short-term incentive³	8 350 000	8 356 000
Face value of long-term incentive award (on-target award)⁴	9 150 000	7 000 000
Total awarded remuneration	23 509 313	16 287 325

¹ Charles' fixed remuneration for 2018 is disclosed on a pro-rata basis only for the period during which he was a prescribed officer (November to December 2018).

² All short-term incentive deferral will be in shares for 2019.

³ The 2018 short-term incentive was awarded for performance as Chief Executive: Engineering Services, and 2019 short-term incentive was awarded for performance as Chief Executive: Corporate and Investment Bank.

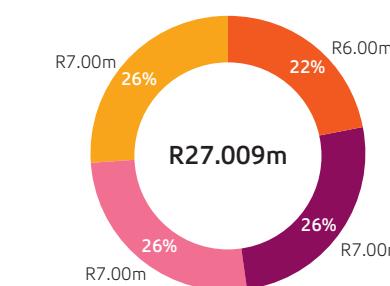
⁴ This was the 'on-target' value of the award. The award reflected in 2018 was made in March 2019, and that reflected in 2019 will be made in April 2020.

2019 Awarded remuneration vs on-target remuneration

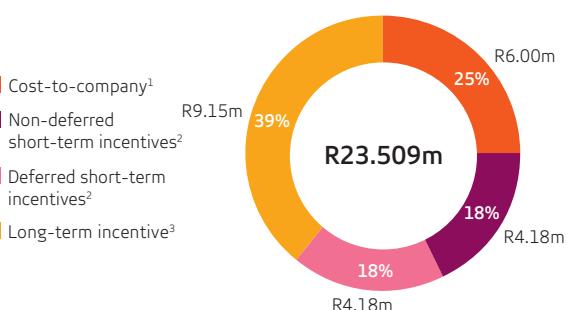
Charles received **awarded** remuneration of R23.5m relative to his **on-target** potential of R27m. This is due to the combined impact of a below target level of short-term incentive which is partially offset by the allocation of a long-term incentive award above the level indicated in the on-target remuneration potential mix, as described in the commentary on the left.

The composition of the **on-target** potential, and **awarded** remuneration for Charles is set out below.

On-target



Awarded



¹ Cost-to-company paid during 2019

² Short-term incentives in respect of 2019 performance

³ Long-term incentive to be awarded in April 2020



Annexure: Board committee details at 31 December 2019

Directors' Affairs Committee

Assists the Board in establishing and maintaining an appropriate system of corporate governance for the Group and material subsidiaries. This includes composition of board and its committees; the induction of new Board members; director training and skills development; effectiveness evaluation of the Board and its committees, reviewing and proposing governing policies; monitoring the governing structures of subsidiary entities and considering matters of regulatory and reputational risk.

Members

IC, ID	Wendy Lucas-Bull (Chairman)
ID	Alex Darko
ID	Colin Beggs
ID	Mark Merson ¹
LID	Mohamed Husain

Attendees

ED	Jason Quinn
ED	René van Wyk ²

Member committee tenure



- ED Executive director
- IC Independent chairman
- ID Independent director
- LID Lead independent director
- NED Non-executive director

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.

Members

ID	Colin Beggs (Chairman)
ID	Alex Darko
ID	Daisy Naidoo
LID	Mohamed Husain
ID	Tasneem Abdool-Samad

Attendees

ExCo	Akash Singh
ExCo	August van Heerden
ED	Jason Quinn
ED	René van Wyk ²
NED	Swithin Munyantwali ³
IC, ID	Wendy Lucas-Bull
ExCo	Zameera Ally

Member committee tenure



Executive Committee (ExCo)

Akash Singh	Group Chief Compliance Officer
Arrie Rautenbach	Chief Executive: RBB SA
August van Heerden	Chief Risk Officer
Bongiwe Gangeni	Deputy Chief Executive: RBB SA
Charles Russon	Chief Executive: CIB
Charles Wheeler	Group General Counsel

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 and its capital and liquidity positions, in terms of applicable regulations; and (ii) the implementation of the Enterprise Risk Management Framework and monitoring the 10 principal risks defined there. It receives assurance that processes are in place to comply with laws and regulations pertaining to risk, capital and liquidity management in the relevant jurisdictions.

Members

ID	Mark Merson (Chairman)
ID	Colin Beggs
NED	Daniel Hodge
ED	Jason Quinn
ED	René van Wyk
IC, ID	Wendy Lucas-Bull

Attendees

ExCo	Akash Singh
ExCo	August van Heerden
ExCo	Zameera Ally

Member committee tenure



Group Financial Director

Paul O'Flaherty	Chief Executive: Engineering Services
Peter Matlare	Deputy Group Chief Executive and Chief Executive: ARO
René van Wyk	Group Chief Executive
Roze Phillips	Group Executive: People and Culture
Zameera Ally	Chief Internal Auditor (ex-officio member)

Remuneration Committee

Sets and oversees the implementation of the Group's Remuneration Policy principles to deliver fair and responsible pay aligned with market practice and to meet regulatory and corporate governance requirements. It approves the total remuneration spend, including fixed pay, short-term and long-term incentives and the particulars of a defined senior population. It also considers and approves the Group's remuneration disclosures to ensure they are accurate, complete and transparent.

Members

ID	Alex Darko (Chairman)
ID	Daisy Naidoo
LID	Mohamed Husain
ID	Sipho Pityana ⁴
IC, ID	Wendy Lucas-Bull

Attendees

ED	Jason Quinn
ED	René van Wyk ²
ExCo	Roze Phillips

Member committee tenure



¹ Appointed to the Directors' Affairs Committee on 1 June 2019.

² Appointed as Group Chief Executive on 1 March 2019, he remained on the committee as an attendee.

³ Appointed on 15 September 2019 and was considered a non-executive until 28 February 2020.

⁴ Appointed to the Board on 1 May 2019.



Annexure: Board committee details continued

Social and Ethics Committee

As a Committee, we are responsible for monitoring key organisational health indicators and the Group's activities relating to its role in Africa's growth and sustainability and the impact on the Group's employees, customers, and environment.

Members

ID	Mohamed Husain (Chairman)
ID	Francis Okomo-Okello
ID	Ihron Rensburg ¹
ED	René van Wyk
NED	Swithin Munyantwali ²
IC, ID	Wendy Lucas-Bull

Attendees

ExCo	Akash Singh
ExCo	Arrie Rautenbach
ED	Peter Matlare
ExCo	Roze Phillips

Member committee tenure



- ED Executive director
- IC Independent chairman
- ID Independent director
- LID Lead independent director
- NED Non-executive director
- CRO Chief Credit Officer

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. The technology impact of the Separation is currently a key focus and the committee monitors the introduction of new systems, and managing the cost and the associated risk.

Members

ID	Alex Darko (Chairman)
ED	Jason Quinn
ExCo	Paul O'Flaherty
ED	René van Wyk
ID, IC	Rose Keanly ³
ID, IC	Wendy Lucas-Bull

Attendees

ExCo	Arrie Rautenbach
ExCo	August van Heerden
ExCo	Charles Russon
ED	Peter Matlare
ExCo	Zameera Ally

Member committee tenure



Executive Committee (ExCo)

Akash Singh *Group Chief Compliance Officer*
 Arrie Rautenbach *Chief Executive: RBB SA*
 August van Heerden *Chief Risk Officer*
 Bongiwe Gangeni *Deputy Chief Executive: RBB SA*
 Charles Russon *Chief Executive: CIB*
 Charles Wheeler *Group General Counsel*

Board Finance Committee

Assists the Board in reviewing and approving certain levels of investment and types of transactions within the committees mandate; considers and recommends to the Board the short- and medium-term financial plan underpinning the Group strategy; and considers and finalises the profit commentary as it relates to interim and year-end financial results. It also approves the publication of the dividend declarations within the parameters determined by the Board.

Members

ID	Mark Merson (Chairman)
ID	Colin Beggs
ID	Tasneem Abdool-Samad ⁴
ID, IC	Wendy Lucas-Bull

Attendees

ED	Jason Quinn
ED	René van Wyk ⁵

Member committee tenure



Group Credit Risk Committee

Considers and approves all large exposures at or above 10% of qualifying capital 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 monitors industry, sector, and single name concentration risks, trends and exposures.

Members

ID	Mark Merson (Chairman) ⁶
CRO	Anthony Harvett
ExCo	August van Heerden
ID	Daisy Naidoo
ED	Jason Quinn
ED	René van Wyk
ID	Sipho Pityana ⁷
ID	Tasneem Abdool-Samad ⁴
ID, IC	Wendy Lucas-Bull

Member committee tenure



¹ Appointed on 1 October 2019.

² Appointed on 15 September 2019 and was considered a non-executive until 28 February 2020.

³ Appointed on 1 September 2019.

⁴ Appointed to the Board Finance Committee and Group Credit Risk Committee on 5 March 2019.

⁵ Appointed as Group Chief Executive on 1 March 2019, he remained on the committee as an attendee.

⁶ Appointed to the Group Credit Risk Committee on 1 February 2019.

⁷ Appointed on 1 May 2019.



Models Committee

The Models Committee is the designated committee tasked with the review of Absa Group's material models, as required by the Prudential Authority.

Members

ED Jason Quinn (Chairman)
ExCo Arrie Rautenbach
ExCo August van Heerden
ExCo Charles Russon
ED René van Wyk

Separation Oversight Committee

Provides oversight of the execution of the Separation of Absa from Barclays, in particular the technology and brand change projects; and obtains assurance from appropriate providers regarding these activities. Specific decisions in relation to the Separation activities rests with the relevant Board committees, in accordance with their respective mandates. This committee will remain in place until the completion of the Separation in 2020.

Members

ID, IC Wendy Lucas-Bull (Chairman)
ID Alex Darko
ID Colin Beggs
ED Jason Quinn
LID Mohamed Husain
ExCo Paul O'Flaherty
ED Peter Matlare
ED René van Wyk

Member committee tenure

5

0 – 3 years

Member committee tenure

8

0 – 3 years

ED Executive director
IC Independent chairman
ID Independent director
LID Lead independent director
NED Non-executive director

Executive Committee (ExCo)
Akash Singh *Group Chief Compliance Officer*
Arrie Rautenbach *Chief Executive: RBB SA*
August van Heerden *Chief Risk Officer*
Bongiwe Gangeni *Deputy Chief Executive: RBB SA*
Charles Russon *Chief Executive: CIB*
Charles Wheeler *Group General Counsel*

Jason Quinn *Group Financial Director*
Paul O'Flaherty *Chief Executive: Engineering Services*
Peter Matlare *Deputy Group Chief Executive and Chief Executive: ARO*
René van Wyk *Group Chief Executive*
Roze Phillips *Group Executive: People and Culture*
Zameera Ally *Chief Internal Auditor (ex-officio member)*



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