

About our integrated report

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

Reporting period and forward-looking statements

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

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

Target audience

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

Financial and non-financial reporting

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

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

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

Value creation

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

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

Materiality

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

Material matters

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

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

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

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

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

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

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

Board approval

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

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

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

The Board approved this report on 24 April 2019.

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

Icons used in this report

The six capitals

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

Stakeholders

-  Customers
-  Employees
-  Society
-  Regulators
-  Investors

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