Investors

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

Key concerns and expectations

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

Our material focus areas

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

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

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

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

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

2 Execute the Separation.

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

3 Effectively manage risks.

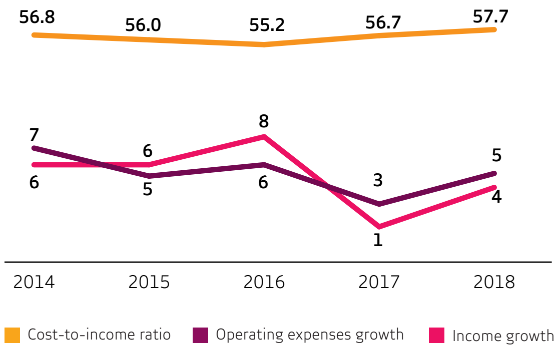
We maintained a strong capital adequacy position with capital buffers sufficient to be able to withstand stressed conditions. Our liquidity position remained healthy within liquidity risk appetite. We continued to invest in infrastructure, process re-engineering, people and technology in order to deliver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

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

4 Improve efficiency while enabling strategic investments.

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

Jaws and cost-to-income ratio (%)



5 Deliver appropriate shareholder returns.

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

Dividend per share (cents)