Remuneration Committee **Chairman's Statement** to shareholders

We made enhancements to our reward approach in 2018. These are in response to the opportunities to alignment with regional practices following regulatory deconsolidation from Barclays, shareholder feedback, a review of our current practices for future-fitness and to align with our growth strategy.

Alex Darko
Remuneration Committee Chairman

I am pleased, on behalf of the Remuneration Committee to present the Group's Remuneration Report which sets out our Remuneration Policy (Policy) and its implementation in 2018. We have provided an overview of our changing organisational context over the past two years, and the implications that this has had on our Policy and its related practices. We have outlined the progress made towards addressing the concerns raised with us by our shareholders regarding our Policy and its implementation. We also highlight the key focus areas for the Remuneration Committee in 2019 and beyond.

Our changing context

The past year has been one of significant activity and change for the Group as we achieved regulatory deconsolidation from Barclays, announced a new strategy repositioning ourselves as an independent African financial services group focused on growth, and implemented a new operating model to structure the business for delivery of the new strategy.

This transition has had a direct impact on the evolution of our Policy from 2017, into a revised reward philosophy and Policy underpinned by key principles in support of our growth strategy.

Further details of our revised Policy and our future plans in this regard are set out on pages 51 to 56. The progress made on the embedment and application of the policy during 2018 is detailed in our 2018 Remuneration Implementation Report, set out on pages 58 to 74.

Our context

2017 Our history

Barclays was our controlling shareholder and we were required to fully comply with the United Kingdom Prudential Regulatory Authority and European Union's Capital Directive (CRD-IV) remuneration requirements.

This resulted in:

- Limitations on the use of long-term incentives and other variable remuneration mechanisms.
- A policy and practices that were out of line with local and regional market practice.

When Barclays announced its intention to sell down its controlling stake, our key executives became more vulnerable to approaches from competitors due to the change, and the existence of lower levels of financial lock-in.

2018 Focus

The composition of our shareholder base has changed materially subsequent to the sell-down by Barclays.

Shareholder feedback on our remuneration practices, including an adverse vote on our 2017 remuneration implementation report included:

- a lack of Group performance conditions for the 2016 and 2017 Restricted Share Awards. It is noted that these awards are subject to a minimum level of individual performance which also included general consideration of Group performance during the vesting period/s, including progress towards the Separation;
- the performance targets for the 2017 long-term incentive awards were not disclosed; and
- there was no direct or formulaic link between performance and executives' incentive outcomes.

Regulatory deconsolidation from Barclays was achieved on 30 June 2018, which released the Group from the requirement to comply with CRD-IV.

Our future 2019

An independent organisation with a diverse shareholder base, able to offer competitive remuneration, based on performance and in line with local and regional market practice.

Our response	2017 Our history	2018 Focus	Our future 2019
	Role based pay was used to maintain overall remuneration competitiveness, due to regulatory restrictions on the ratio of fixed to variable remuneration that applied. This resulted in a remuneration mix that was out of line with local and regional market practice, with a larger emphasis on fixed remuneration as opposed to variable remuneration linked to Group and individual performance. Restricted share awards, which did not include explicit Group performance conditions (but which did have general reference to a minimum level of individual and Group performance, and to our progress in terms of the Separation), were granted as a retention mechanism for key resources during the Separation. This was as a result of our relative disadvantage to competitors as regards the extent of unvested share awards held by these key leaders, and the consequent low level of financial lock-in in place. There was an urgency to grant these awards, and therefore structures already in place and approved by shareholders were utilised. Long-term incentive awards in the form of performance shares were introduced and linked to Group financial and non-financial performance conditions, including transformation and Separation-related measures. Special approval was sought from Barclays to vary the remuneration policy in this regard, post the sell down. The performance conditions for this 2017 long-term incentive award were set cognisant of the need to provide participants with a level of confidence that achievement of these was possible, after a number of years without a long-term incentive in place, and relatively low vesting outcomes before this. The performance targets are set out on page 52.	We engaged with our shareholders following the vote on our 2017 remuneration implementation report and our Policy. We revised our remuneration philosophy, policy and principles, addressing key matters raised by shareholders and employees, and considering our new strategy and our release from the CRD-IV requirements. Our principle-based remuneration philosophy specifically seeks to balance the objectives of all stakeholders, including shareholders, our employees, our customers and the broader communities in which we operate, while taking risk appetite into consideration. Following regulatory deconsolidation, we conducted detailed benchmarking of remuneration practices and levels, and aligned our remuneration approach to local regulatory and market practice. Role based pay was removed with a greater proportion being incorporated into the short- and long-term incentivisation of senior executives and material risk takers. This was to emphasise pay for performance and better alignment to shareholder interests. Through this process, our remuneration was re-aligned to market benchmarks to include: • a cost-to-company; • short-term incentives (including deferral); and • long-term incentives (with performance targets aligned to the Group's medium-term financial targets). Risk-related remuneration practices have been retained, including those in relation to the concept of material risk takers, as well as malus and clawback. Development began on the proposed Share Incentive Plan rules. Share incentive awards that are not linked to performance conditions are no longer granted to executives, other than in respect of deferred short-term incentive awards. In exceptional circumstances, retention share awards may be granted, subject to Remuneration Committee approval, to retain key talent below executive level, with vesting subject to minimum individual performance requirements. We aligned the vesting period of our share-based awards to market practice following our release from CRD-IV on the first practical date thereafter, this being 1 October 2018.	Ongoing constructive engagement with shareholders on our Remuneration Policy and practices. We will continue to embed our remuneration philosophy and related Policy and principles across the Group. Our revised Policy and related practices are more competitive and compelling to employees, where they and the Group deliver on the targeted performance levels. It is intended that our remuneration outcomes are aligned, as applicable, to short- and long-term value creation and are appropriately transparent. In line with the pay for performance principle, all future long-term incentive awards will be subject to Group performance conditions that are sufficiently stretching and appropriately comparable to those used by competitors. We are cognisant of the guidance provided to us by our shareholders regarding what they view as acceptable in this regard. Approval is being sought from shareholders at our 2019 annual general meeting for the proposed Absa Group Share Incentive Plan, which is aligned to market practice. The first awards under this Plan (subject to shareholder approval being obtained) will be made in early 2020 as part of the annual payround process. Key areas that are addressed are: • alignment of the Plan to market practice and governance standards; • inclusion of all award types – deferred awards, performance awards and retention awards which includes buy-out awards to new joiners – under a single plan; and • updating our treatment of awards in the case of termination of employment (eligible and ineligible terminations). Further details of the Plan are set out on page 55, and in our 2019 Notice of annual general meeting.

Remuneration governance

Details of the composition of the Remuneration Committee and other key elements of the governance of remuneration in the Group are set out on page 79.

Regulatory compliance

Our report aligns with the principles and recommended practices of King IV and the related JSE Listings Requirements. We continue to engage with regulators regarding any potential requirements arising from the prudential and conduct authorities under South African Twin Peaks legislation.

Applying King IV

In applying Principle 14 of King IV, the JSE Listings Requirements, and to the extent applicable, the Companies Act, we:

- Structured our remuneration report according to the three parts recommended in King IV, which are the Remuneration Committee Chairman's statement, the Remuneration Policy overview and the Implementation Report with focus on executive management.
- Within the Remuneration Policy, we include, at a high level, the remuneration elements and design principles informing the remuneration arrangements for other employees.
- Comment on fair and responsible remuneration and how our Policy deals with this for executive management in the context of overall employee remuneration.
- Provide details of the elements in executive's employment contracts which could give rise to payments on termination of employment or loss of office.
- Continue to request support, via a non-binding advisory vote, for our Remuneration Policy and the 2018 Implementation Report.
- Engage with shareholders, including in the event of a negative vote of more than 25% on our Remuneration Policy or 2018 Implementation Report.

Addressing the adverse voting outcome on our 2017 Implementation Report

Following the 52.6% 'for' shareholder vote in 2018 on the 2017 Remuneration Implementation Report and 76.5% vote 'for' our Remuneration Policy, we held a teleconference call with shareholders on 23 July 2018 to obtain their feedback. The Remuneration Committee has taken steps in good faith and with best reasonable effort to address concerns raised.

Reasons for dissenting votes?

- Not disclosing performance targets for our 2017 long-term incentive awards.
- The ongoing inclusion of role based pay in the remuneration of our senior executives and material risk takers.
- The vesting period for our 2016 and 2017 Restricted Share Awards, which commenced on the second anniversary of the award date being too short, and the absence of Group performance conditions on these awards, notwithstanding the general Group and individual performance requirements.
- The absence of a transparent or predictable link between performance and the annual short-term incentives paid to senior executives.

What steps did we take?

- Refreshed our reward philosophy, Policy and principles.
- Introduced a revised short-term incentive plan with greater alignment to Group, business unit or function and individual performance.
- Enhanced alignment to pay for performance through the introduction of more stretching performance conditions in our long-term incentive plans.
- Removal of role based pay post regulatory deconsolidation. The earliest practical date for the implementation away from role based pay towards increased incentive-based pay was October 2018. The development of policy changes including the supporting models, required substantial involvement of, and guidance by, the Remuneration Committee and Directors' Affairs Committee, as well as communication with executives and senior employees involved.
- Confirmed we will not make further use of restricted share awards.
- Improved transparency and disclosure regarding our remuneration arrangements.

The Remuneration Committee is satisfied that good progress has been made in refreshing the remuneration philosophy and revising the Policy. Given the commencement of implementation of the Policy during 2018 with particular attention to senior executives and material risk takers, a key priority for the Remuneration Committee in 2019 will be on its further roll-out in the Group.

External advice

The support received by the Remuneration Committee from PwC during 2018 was primarily strategic and directional and was subject to internal peer review within PwC. Management were advised by PwC during the year in the development and implementation of the Policy.

Non-binding advisory votes

The Remuneration Committee is satisfied that it has fulfilled the requirements of its terms of reference and with the progress made on the revisions to the remuneration philosophy and Policy, in response to shareholder feedback and our changing regulatory context. We endeavour to ensure that our reporting is straightforward, yet sufficiently comprehensive and transparent. We acknowledge the need to continuously improve in this regard. We also acknowledge that 2018 saw a number of changes in our remuneration context, and in our Policy and practices, and that 2019 therefore represents a key baseline year for implementation and for stable and consistent reporting on our remuneration.

The Policy and the Implementation Report will be presented for separate non-binding votes at our annual general meeting on 4 June 2019. These resolutions are set out in the 2019 Notice of annual general meeting.

Conclusion

The past year was a year of significant change for the organisation as we fundamentally repositioned ourselves for delivery against our new strategy. We believe that we have made good progress in developing a reward philosophy and Policy that underpins the organisation's growth strategy and that will serve as an important catalyst in focusing the efforts of our employees on delivery of the Group's strategic ambitions, while supporting the creation of value for all our stakeholders in a fair and responsible way.

Alex Darko
Remuneration Committee Chairman

Our **Remuneration Policy**

Our reward philosophy underpins our growth strategy, entrepreneurial culture and risk management approach. Its objective is to direct the efforts of our employees in delivering our strategy of creating sustainable value for all our stakeholders in a fair and responsible way.

Our reward 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 promises**, with 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 aligned to the value we create in the short and long term and are transparent. This entails a specific emphasis on the contribution of longer-term incentives for senior and executive employees, aligned to market practice.
4. **Pay for performance** – by aligning incentive outcomes to performance and value created. Within this, we apply deferrals, and malus and clawback provisions to ensure 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;
   - 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, as well as internal transparency and effective communication.
7. **Deliver fair and responsible remuneration**, through annual 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.

Fair and responsible remuneration

Remuneration must be both externally competitive and internally equitable.

Fair remuneration is:

- impartial, free from discrimination, prejudice, favouritism or self-interest;
- rational (not subject to emotion); and
- purposeful in addressing unfair remuneration differentials.

We consider executive remuneration alongside the broader employee population's remuneration to ensure fairness and consistency across the Group. Where practical, we monitor the remuneration paid by our third-party service providers to ensure that it is fair.

Responsible remuneration is:

- approved within appropriate levels of authority;
- subject to independent oversight;
- linked to positive outcomes and value creation; and
- sustainable.

We seek to ensure appropriate and reasonable alignment between reward, risk and conduct, and that remuneration is in line with our Values and does not encourage inappropriate risk.

In support of fair and responsible remuneration:

- our Remuneration Review Panel, a sub-committee of the Executive Committee chaired by the Chief Risk Officer, makes recommendations for approval to the Remuneration Committee on adjustments to incentive pools, individual awards as well as malus adjustments and clawback in the event of conduct or ethical issues arising that impact or are impacted by remuneration; and
- we analyse pay differentials across the employee population and establish the reasons for these. Where disparities exist that are not based on objective criteria (such as seniority, role content, experience, performance), we take steps to address these. Steps taken in 2018 in support of delivering fair and responsible remuneration are set out on pages 58.

Performance management

Performance management must be fair and have a strong developmental focus. Each employee agrees a set of objectives and measures of success against which they are assessed, taking into account both what is delivered and how it is delivered. This ensures a balance between the achievement of performance objectives, and conduct, culture and values. Rating outcomes are subject to a consistency review process to ensure fairness, and alignment with overall business performance. Performance ratings for our Executive Committee are subject to oversight by the Remuneration Committee.

Individual performance ratings are used as a key input to both fixed remuneration and short-term incentive decisions. Where full-year individual performance falls below expectations, employees are ineligible to receive short-term incentive awards.

We aim to continuously improve our employees' performance management experience and to build on the success of performance coaching initiatives to assist with employee development.

2018 elements of remuneration

We will deliver on our growth strategy and create shareholder value by ensuring retention and high performance of top-quality employees.

We aim to apply a common remuneration framework and structure across the Group, yet will differentiate its implementation according to local country practice and statutory or regulatory requirements.

While targeting a market median position on total remuneration, we aim to pay above the market median for our top performers and critical skills, and with regard to employment equity imperatives. Market positioning is reviewed relative to appropriate market benchmarks, to ensure that outliers, either above or below the overall target market positioning receive attention. This is in line with our commitment to competitive, fair and responsible remuneration and to improve overall consistency in our remuneration practice.

Remuneration that is not aligned to market levels can be addressed over time by, among other actions, above-average increases in fixed remuneration or slowing or stopping fixed pay progression for above market positioning.

Our remuneration mix post regulatory deconsolidation and the removal of role based pay comprises fixed remuneration (cost-to-company or total guaranteed package), short-term incentives (cash and deferred, where deferral applies) and long-term incentives (where applicable) in the form of performance shares.

Total remuneration

=

Fixed remuneration + Short-term incentives + Long-term incentives

Fixed remuneration

Referred to as cost-to-company in South Africa and total guaranteed package in Absa Regional Operations. This forms the basis for a competitive total remuneration package. We aim to position fixed remuneration generally at the market median. We do however, target above the market median to attract and retain top performers and holders of critical or scarce skills, talented individuals with outstanding track records, and in support of our employment equity imperatives.

Fixed remuneration is reflective of an individual's role, specific skills and experience, with reference also to the appropriate market rate for the role.

Salary

The cash element of fixed remuneration.

+

Benefits

Competitive benefits (including pension, life insurance, medical aid and other risk and lifestyle-related benefits) appropriate to an employee's role and location.

Short-term incentives

Subject to the achievement of Group, business or functional unit, team and individual objectives

Cash

Settled in cash in March of the following year.

+

Deferred short-term incentive

Deferral, in terms of the defined deferral thresholds, is currently delivered 50% in shares and 50% into cash deferred over three years, vesting 33.3% per annum. Participants have the option to receive their deferred short-term incentive delivered 100% in shares, deferred over three years vesting 33.3% per annum.

Value of 2018 award	Deferral
Less than R500k	Nil
From R500k to R1.499 million	30%
From R1.5m to R2.999 million	40%
From R3 million	50%

From 2019 (for awards made in 2020) all deferrals under the short-term incentive plan will be in shares only (other than where regulatory reasons prevent the award of shares, in which case deferral will continue to be in the form of deferred cash). Dividend equivalents may apply on deferred short-term incentive awards, at the Remuneration Committee discretion.

Separate deferral thresholds apply for Absa Regional Operations and our International Offices in line with market practice in those regions. These do not impact any executive directors or prescribed officers.

Deferral threshold levels will be assessed on an ongoing basis to enhance our offering to key talent in line with our reward principles, and to attract, retain and engage high calibre individuals who have the skills, ambition and talent to deliver our strategy.

Long-term incentives

Subject to Group performance targets

Share-based incentives

Setting appropriate performance measures with sufficiently stretching targets is a critical element of our reward principles (pay for performance, supporting the realisation of all our stakeholder promises and aligning the long-term interests of our executives and shareholders).

We review regional market practice and set measures and targets in the context of our growth strategy and medium-term financial targets.

2018 Short-term incentives

We introduced a revised short-term incentive pool methodology which incorporates a hybrid top-down, middle-up and bottom-up approach to the determination of short-term incentivisation. Top-down determines the overall Group and business unit/function affordability, whereas the bottom-up reflects the employee demand against the Group and business unit/function pools in light of individual performance.

This revised methodology is primarily formulaic, but retains an element of Remuneration Committee discretion at Group level for affordability and risk considerations and, in respect of the Executive Committee, at an individual level to mitigate unintended outcomes. Management discretion may also apply in respect of other individual outcomes. The revised approach is informed by market practice, to provide a more explicit pay for performance link between the Group, business units/functions' and employees' objectives and performance and incentive outcomes.

Under the revised approach, increased leverage to Group performance is achieved through the application of a performance modifier which references both financial and non-financial performance measures.

Group short-term incentive pool (Top-down)

The top-down Group pool is determined by adjusting the on-target pool (agreed and approved by the Remuneration Committee) by a performance modifier. This modifier is determined by applying a range of weighted leveraged performance outcomes from threshold achievement (80% modifier) to stretch achievement (120% modifier) against pre-defined financial (revenue, headline earnings, profit after regulatory capital charge – a risk-adjusted measure) and non-financial (customer franchise health) measures.

The financial performance measures as applied are on a normalised basis (adjusted for the consequences of the Separation) so as to better reflect the Group's underlying financial performance.

Business unit and functional area incentive pool (Middle-up)

The demand of the business units'/functional areas' pools against the Group incentive pool and, in turn, the bottom-up demand of individual awards on the business unit/function pools is determined using a similar framework as the Group incentive pool.

Where the business unit/functional areas' demand exceeds the determined Group top-down pool, a discretionary modifier will be applied by the Remuneration Committee to maintain affordability. Discretion is also specifically applied when performance is below threshold or above stretch and if any material control environment issues arise.

Individual awards based on employees' performance outcomes (Bottom-up)

The on-target individual short-term incentive award is determined with reference to a market related award outcome. Individual awards are determined based on the employee's performance rating, in the context of the overall Group and business unit/functional pool made available, and affordability.

In 2018, the approach set out was applied in respect of awards made to Executive Committee members, previous role based pay recipients and other material risk takers, together with the application of executive and Remuneration Committee discretion.

Step 1 > Group (top-down)

Step 2 > Business unit or function (middle-up)

Performance short-term incentive pool = On-target performance pool × Performance modifier

Performance measures	Weight %	Modifier Threshold 80%	Modifier On-target 100%	Modifier Stretch 120%
Revenue	20	95% of target	Short-term financial plan	105% of target
Headline earnings	50	90% of target	Short-term financial plan	110% of target
Profit after regulatory capital charge	20	70% of target	Short-term financial plan	130% of target
Organisational health (currently customer franchise health)	10	-5%	As internally defined	+5%

Step 3 > Individual (bottom-up)

Individual's short-term incentive award = On-target individual award × Business unit/function modifier × Personal modifier

Performance rating	Personal modifier On-target award %
Outstanding	200
Very strong	115 – 185
Strong	85 – 115
Good	35 – 85
Improvement needed	Ineligible for short-term incentive
Underperforming	Ineligible for short-term incentive

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 Remuneration Committee and in accordance with the Policy from time to time. These awards are subject to Group performance conditions which apply over a minimum performance period of three financial years, and a continued employment condition.

2017 long-term incentives

In 2017 we focused on reducing the unvested long-term share-based remuneration gap that had emerged between ourselves and our regional competitors as a result of regulatory constraints regarding our short- and long-term incentives that existed between 2014 and 2016. Concurrently, we sought to address retention risks for key employees during the Separation.

This included a performance share based long-term incentive award in 2017 and grants of restricted share awards in 2016 and 2017.

The details of the structure of and conditions of to our 2017 performance share-based long-term incentive are outlined below. The performance conditions were set cognisant of the need to provide participants with a level of confidence that achievement of these was possible, after a number of years without long-term incentives in place, and relatively low vesting outcomes before this.

Restricted share awards made in 2016 and 2017 were subject to a minimum standard of individual performance. These also included general reference to a minimum required level of Group performance and progress on the Separation for vesting to occur.

2018 long-term incentives

There were no long-term performance share awards made in 2018.

2017 long-term incentive

Number of shares awarded × **Performance share modifier** = **Number of shares vesting**

July 2017 | Financial performance period 1 Jan 2017 to 31 Dec 2019 | July 2020

Performance measures	Weight %	Percentage of shares vesting: Below threshold 0%	Threshold 50%	Target 100%
Compound annual growth in normalised headline earnings per share	30	–	3% per annum	10% per annum
Average normalised return on equity	30	–	14%	18%
Transformation	20	At the discretion of Remuneration Committee based on the following: • Race (SA): Achieve approved employment equity targets as detailed in the Employment Equity Plan for 2019 (measured in 2020), as submitted to the Department of Labour. • Gender (ARO): Achieve the gender targets for 2017-2019 in respect of middle and senior management.		
Separation from Barclays	20	At the discretion of the Remuneration Committee and the Separation Oversight Committee based on achievement of effective Separation by June 2020, having regard to safe, sustainable and efficient delivery.		

2019 long-term incentives

The performance conditions for the 2019 long-term incentive award granted in March are based on the Group's medium-term financial targets:

1. 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;
2. Given this growth and continued cost management, we aim to consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021; and
3. We aim to achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

In developing the performance conditions the following was considered:

- Creating a strong link between long-term incentives and our medium-term market commitments, and in turn to long-term investor returns.
- Linking incentives to overall organisational health covering people, customer and control.
- Applying long-term remuneration principles comparable to our peer group; and
- Promoting a balance between employee and shareholder value.

Awards made in 2019 will vest subject to fulfilment of the performance conditions and continued employment

(i) in equal proportions on the 3rd, 4th and 5th anniversaries from the date of grant for Executive Committee members, and

(ii) on the 3rd anniversary from the date of grant for other participants.

Dividend equivalents on unvested long-term incentive awards (to the extent that these are included in the awards) will not be paid until, and to the extent that, awards vest. These will be included into the original award at time of vesting.

Through the application of these principles and by setting appropriately stretching targets, we have aligned to our pay for performance philosophy, ensuring the promotion of shareholder value creation. Awards will only vest at stretch levels in cases of significant outperformance relative to the medium-term financial targets.

2019 long-term incentive

Number of shares awarded	×	Performance share modifier	=	Number of shares vesting
Mar 2019		Performance period 1 Jan 2019 to 31 Dec 2021		Executive Committee: 33% each Mar of 2022; 2023; and 2024 Other participants: Mar/Q2 2022 (100%)

		Measures		
Metric performance measures	**Weight %**	**Threshold 10% of maximum**	**Target 67% of maximum**	**Stretch 100%**
Normalised return on equity measured on a simple annual average basis over the three year performance period 2019 - 2021	30%	≥ Cost of equity + 2.75% currently equates to circa ≥16.5%	≥ Cost of equity + 4.25% currently equates to circa ≥18%	≥ Cost of equity + 6.25% currently equates to circa ≥20%
Normalised headline earnings per share (in constant currency), measured on a compound annual growth basis over the three-year performance period 2019 – 2021	30%	≥ SA nominal GDP + 1% currently equates to circa >7%	≥ SA nominal GDP + 5% currently equates to circa >11%	≥ SA nominal GDP + 9% currently equates to circa >15%
Normalised cost-to-income ratio as reported in the 2021 full year annual financial statements	30%	≤56.5%	≤54.5%	≤52.5%
Organisation health (People, Customer and Control)	10%	At the discretion of the Remuneration Committee, based on an assessment of people, customer and control environments.		

GDP – Gross domestic product.
A straight line vesting profile occurs between threshold and target, and between target and stretch.

Illustrative potential total remuneration outcomes for an executive director/prescribed officer, based on a single figure reporting basis

The chart alongside illustrates the potential total remuneration outcomes (on a single figure basis) for an executive director/ prescribed officer, as envisaged under the Remuneration Policy.

The illustration is based on three potential scenarios of performance, namely:

- Below Threshold;
- On-Target; and
- Stretch.

The assumptions used in arriving at these hypothetical illustrations are set out alongside.

A key principle that is demonstrated by the scenarios is that the relative weighting of variable remuneration in the total remuneration mix, and the exposure to the Absa share price (via deferred short-term incentives and long-term incentives) increases as total remuneration increases. The scenarios also illustrate that total remuneration can increase substantially for Stretch performance (which would be significant outperformance), relative to On-Target outcomes. This demonstrates alignment to the principles of pay for performance and alignment of shareholder and executive interests.

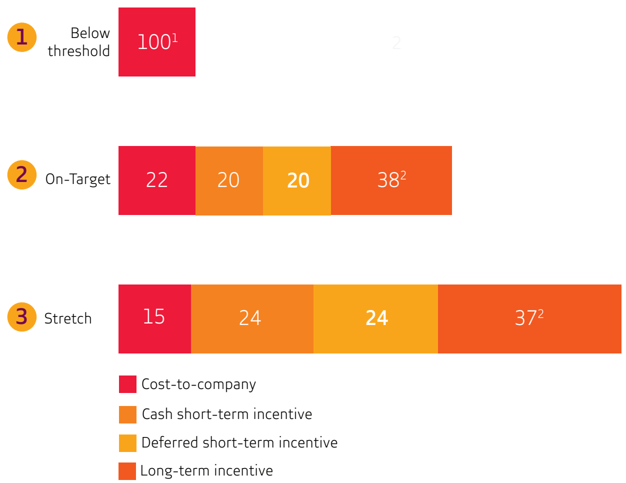
There is no entitlement to receive any element of remuneration (other than cost-to-company, which is a contractual payment), and nor is there any guarantee of awards being made or vested, as may be applicable, at the illustrative levels. Similarly, the outcomes will, in reality, reflect the combination of a range of group, business and individual performance outcomes over the short and long term. The scenarios therefore illustrate a combination of award outcomes (for short-term incentives), and vesting outcomes (for long-term incentives). The scenarios do not include any adjustment for the possible application of discretion (either positive or negative) by the Remuneration Committee.

1. At **Below Threshold**, the executive director/prescribed officer would only receive his/her cost-to-company remuneration[1]. In this scenario, either:
   - the Group and/or business unit/functional performance metrics that would give rise to the allocation of any short-term incentive award and the Group performance conditions that would give rise to the vesting of a long-term performance share incentive (long-term incentive[2]) would not have been met; or
   - in the case of short-term incentive, the individual would not have met the individual performance requirements to qualify for a short-term incentive award.

2. At **On-Target**, the executive director/prescribed officer would receive his/her cost-to-company remuneration and:
   - Would receive a short-term incentive award at the on-target level, which assumes that the Group, business unit and individual targets in this regard were met, and no discretionary adjustment was applied to the pool; and
   - The long-term incentive[2] award vested at the on-target value, based on all Group performance measures being achieved in line with the targets set for an on-target vesting outcome.

3. At **Stretch**, the executive director/prescribed officer would receive his/her cost-to-company remuneration and:
   - Would receive a short-term incentive award based on Group, business and individual performance outcomes occurring at the stretch level, thus giving rise to an award for significant overall outperformance; and
   - The long-term incentive[2] award vested at the stretch level, based also on consistent outperformance over the full performance period applicable to the award.
   - An outcome at stretch for all remuneration outcomes would be extremely unlikely to occur, and therefore represents a hypothetical maximum on total remuneration.

Remuneration mix (%) for each outcome



[1] Only cost-to-company will be payable in the event of Below Threshold performance.

[2] Long-term incentive awards are reported in the single figure basis when the performance period ends and the awards vest. Single figure remuneration therefore includes long-term incentives from previous financial years that vest in the current year/where the performance period ends in the current year.

Risk and control functions' remuneration

In terms of Regulation 43 of the South African Banks Act, the remuneration of risk, compliance, legal and internal audit employees is determined independently within their function, within the parameters of the allocated pool made available to the business in which they operate.

Project-based incentives

The Remuneration Committee may, from time to time, approve the implementation of specific project-based incentive plans, to support the delivery of key strategic and business projects. These incentives are typically awarded in cash, subject to achievement of specific project objectives, and are subject to continued employment during the period for which the plans apply. The continued employment condition may, in some instances, extend beyond the completion date of the project, to ensure ongoing retention of key skills or to ensure project outcomes are effectively embedded.

In all instances, appropriate governance regarding assessment of project outcomes, including the sustainability of these post-completion, is included as part of the programme arrangements.

No project based incentives were awarded or implemented in 2018.

Members of the Executive Committee do not participate in project-based incentives.

Proposed Absa Share Incentive Plan

We intend to adopt, subject to shareholder approval, a new share plan to govern the awarding and administration of share-based remuneration – the Absa Group Share Incentive Plan. The purpose of the Share Incentive Plan is to:

- provide employees with the opportunity to share in the longer term success of the Group while providing alignment between the interests of the employees participating in the Share Incentive Plan and those of shareholders; and
- provide a retention mechanism to retain scarce and critical skills.

It will be used primarily to incentivise employees participating in the Share Incentive Plan to deliver the Group's business strategy over the long term.

Awards will be made in the form of conditional shares, in one or more (depending on employee eligibility) of the following categories:

1. **Performance awards** subject to Group performance conditions, which will be approved annually by the Remuneration Committee for each award, and will be included in the award letter to participants.
2. **Deferred awards** which will be made in respect of deferred short-term incentives.
3. **Retention awards** which include awards made:
   - on an exceptional basis to key and critical talent (excluding executives, who are not eligible to receive such awards); and
   - in respect of buy-out awards made to new joiners in respect of awards forfeited in their previous employer as a result of joining the Group.

Executives appointed from outside of the Group may be eligible to receive retention awards to replace awards made by their previous employer that they would forfeit as a result of joining Absa. This would be subject to appropriate approval in advance, with consideration (and related adjustment of the buy-out value) of any performance conditions that might apply on the forfeited awards. This approach would similarly apply for all other buy-outs.

Share Incentive Plan participants will have no shareholder rights, including voting and dividend rights, prior to awards vesting and being settled to the participant. Participants may, however, be eligible to receive dividend equivalent shares on the vesting date of each award. For performance awards, dividend equivalents will only apply to the extent that the original award (or part thereof) vests.

The proposed Share Incentive Plan is aligned to market practice and will be applied, subject to shareholder approval, for awards granted from 2020 onwards.

The Share Incentive Plan is tabled for consideration and approval by shareholders at the annual general meeting on 4 June 2019.

The salient features are set out in Resolution 6 on page 5 of the 2019 Notice of annual general meeting.

Service contracts and termination arrangements for executive directors' and prescribed officers

Payments in the event of termination take into account the individual circumstances, including the reason for termination, individual performance, contractual obligations and the terms and conditions of the short-term or long-term incentive plans that apply.

Notice periods
Executive directors and prescribed officers have a six-month notice period, with their potential compensation in relation to termination of service being six months' fixed remuneration. They may be required to work during the notice period, or may be placed on gardening leave subject to the requirement that they may be called upon to render services during this period, where relevant. If they are not required to work, and where there is no competitive or commercial imperative to keep the individual on gardening leave, compensation in lieu of notice may be made.

Treatment of role based pay
Until its discontinuation in October 2018 (for the Executive Committee and prescribed officers) and November 2018 (for material risk takers), role based pay was paid during the notice period and/or gardening leave, but did not apply where Absa elected to make payment in lieu of notice (unless otherwise required by law).

Treatment of annual short-term incentive on termination
There is no automatic entitlement to a short-term incentive payment on termination, but it may be considered at the Remuneration Committee's discretion and subject to performance measures being met. Awards may be prorated for service. No short-term incentive is payable in the case of underperformance, gross misconduct or resignation.

Treatment of unvested deferred short-term incentive and long-term incentive awards
Unvested share and cash awards will lapse if the executive director or prescribed officer resigns or their employment is terminated for gross misconduct. In the case of death, or if an eligible leaver (leaving due to injury, disability or ill health, retirement, redundancy) he/she would continue to be eligible to be considered for unvested portions of deferred awards – subject to the rules of the relevant plan – unless, in exceptional cases, the Remuneration Committee determines otherwise. Share based awards and their cash equivalents are subject to malus and clawback provisions which enable the Remuneration Committee to reduce the vesting level (including to nil) or to recover amounts already paid.

In an eligible leaver situation, deferred short-term incentive awards may be considered for release in full on the scheduled vesting dates (equal tranches on 1st, 2nd and 3rd anniversary of award date) unless, in exceptional circumstances, the Remuneration Committee determines otherwise.

Restricted share awards which have already been granted would, in an eligible leaver situation, be subject to vesting on the original vesting date unless in exceptional circumstances, the Remuneration Committee determines otherwise.

Unvested long-term incentive awards will remain subject to Group performance targets and will vest (subject to these) on the normal vesting date, where eligible leaver treatment applies.

Minimum shareholding requirements

Executive Committee members should have unencumbered shareholding of at least 150% of their cost-to-company (on a pre-tax basis) while the CEO should hold at least 300%.

Executive Committee members (including the CEO) have five years from the date of their appointment to the Executive Committee, or by 2021 for those who were Executive Committee members in 2016, to build up this level of personal shareholding.

Adjustments to variable remuneration for adverse risk and conduct matters

The Remuneration Review Panel (a sub-committee of the Executive Committee) follows an approved process for considering risk and conduct matters and the associated consequences to be reflected in individual incentive decisions. When considering individual responsibility, they take a variety of factors into account, such as whether the individual:

- was solely responsible for the event, or whether others were also directly or indirectly responsible;
- was aware (or could reasonably have been expected to be aware) of the failure;
- took or missed opportunities to take adequate steps to address the failure; and/or
- by virtue of seniority and influence could be deemed indirectly responsible.

Malus
All deferred and long-term incentive awards are subject to continued employment and malus provisions. We may reduce the level of vesting of these awards, including to nil, where (but not limited to):

- a participant deliberately misled the Group, the market and/or shareholders in relation to the financial performance of the Group;
- a participant caused harm to our reputation, or where their actions amounted to misconduct, incompetence, poor performance or negligence;
- there is a material error in the Group's financial statements which results in restatement;
- there is a material failure of risk management in the Group; and/or
- there is a significant deterioration in the Group's financial health.

Where appropriate, the remuneration of individuals who were directly or indirectly accountable for an event may be adjusted. This includes reductions in current year short-term incentives and in vesting levels of deferred and/or long-term awards through the application of malus.

Certain business unit/functional incentive pools and/or individual awards could be reduced after considering risk and conduct events within the business.

Clawback
Clawback applies to any variable remuneration awarded (including long-term incentives) to a material risk taker from 1 January 2015 onwards. The Remuneration Committee may apply clawback at any time during the three year period from the date on which variable remuneration vests, if:

- there is reasonable evidence of employee misbehaviour or material error; and/or
- the Group or business unit/function suffers a material risk management failure, taking account of the individual's involvement and responsibility for that incident.

Remuneration Implementation Report

Group's financial performance and remuneration outcomes

In line with improving returns to shareholders and accelerating delivery of the organisation's growth strategy, we consider financial performance holistically and monitor progress against our objectives when considering our pay decisions.

We considered the following salient features of Group normalised performance in making remuneration decisions in 2018:

- Group headline earnings growth of 3% to R16.1bn (3% growth in South Africa and 6% growth in Absa Regional Operations (10% in constant currency)).
- A slight increase in return on equity to 16.8% from 16.5% in the prior year.
- Revenue growth of 4%, an improvement from 2017;
- An increase in the cost-to-income ratio to 57.7% from 56.7% in the prior year reflecting negative operating Jaws (albeit improving year-on-year).
- A 5% increase in the Group's profit after regulatory capital charge to R2.7bn.

The decisions on total remuneration were made in context of the aforementioned performance achieved and customer franchise health.

The outcome of our decisions was reflected in a final total Group short-term incentive pool for 2018 of R2.4bn, which was 2% lower than the 2017 pool of R2.5bn.

The short-term incentive pool allocated to the Executive Committee members amounted to R91m in 2018 (2017 pool of R95m).

We reviewed our variable pay outcomes relative to our peers (including consideration of relative performance), and internally to ensure fairness in the allocation of our incentive pools. The Remuneration Committee is satisfied that the outcomes are appropriate, based on the performance of the Group.

Fair and responsible remuneration

In our South African business, we apply a minimum cost-to-company level of R155 160 which is higher than the national minimum and living wage. Our internal Gini coefficient, which provides an indication of our remuneration differentials, improved to 0.41 for 2018, from 0.45 in 2017. This was influenced by the allocation of higher on-average increases to more junior employees. It is noted that the fact that we did not make any long-term incentive or other share-based awards (other than in respect of short-term incentive deferrals) to the senior employee population in 2018 also influenced this improvement. If the value of long-term incentive awards and restricted share awards made in 2017 is removed from the 2017 calculation to allow for the like-for-like comparisons, the comparable Gini co-efficient for 2017 is 0.43. This shows a like-for-like improvement in 2018 relative to 2017.

Work to determine the Group's minimum fixed remuneration and to assess the extent of any pay differentials in our Absa Regional Operations will be undertaken in 2019 and 2020.

Analysis of variances in remuneration that cannot be explained on the basis of role, skill, experience, performance and market competitiveness or other objective factors was performed, and this influenced the salary increases awarded on 1 April 2019.

The increases to bargaining unit employees are typically higher on-average than those awarded to managerial and executive employees in each cluster or country. This aligns to our fair and responsible remuneration objectives and the principle that a greater proportion of remuneration of senior employees should be based on performance. This may be impacted by local business performance considerations, and affordability.

Increases awarded to bargaining unit employees in our various countries of operation (including South Africa) were determined through a collective bargaining process. In South Africa, our total settlement with SASBO, the recognised trade union, was an overall increase pool of 7.2%.

Average increases of 4% and 6% were implemented on 1 April 2019 for executives and senior managers respectively in South Africa, differentiated to take account of market relativity and performance. Executives based in operations outside of South Africa had their increases determined based on local market conditions.

Executive directors and prescribed officers

The Group's executive directors and prescribed officers are designated as such by the Board. In the case of executive directors, they are subject to appointment by shareholders in their first year, and they are subject to resignation by rotation and reappointment by shareholders in the normal course. This is in accordance with the company's Memorandum of Incorporation and Companies Act requirements.

For the purpose of our 2018 Remuneration Implementation Report, the following approach to reporting has been applied:

- For executive directors (Maria Ramos, Peter Matlare and Jason Quinn) and prescribed officers (Nomkhita Nqweni) who served for the full year, disclosures cover all remuneration received in 2018.
- For executive directors (David Hodnett) and prescribed officers (Arrie Rautenbach, Charles Russon, Temi Ofong and Mike Harvey) who served for part of the year, the disclosures are for the period served as either an executive director or prescribed officer. The extent of the pro-rating for service is set out for each disclosure and applies in respect of fixed remuneration only. Short-term incentives are disclosed at full value at award.
- Future-based awards are disclosed for those who will be in their respective roles as executive directors or prescribed officers in 2019.

Analysis of our 2018 financial performance Page 39

Discontinuation of role based pay and reconstitution of the total remuneration mix

Regulatory deconsolidation from Barclays allowed for the alignment of our remuneration practices and the composition of our total remuneration mix to local and regional market practice. The discontinuation of role based pay and the recalibration of the various elements of the remuneration mix based on market benchmarking, together with the implementation approach we have followed, has resulted in a shift in the composition (and absolute levels) of our total remuneration mix between 2017 and 2019.

Role based pay was discontinued for Executive Committee members (and Mike Harvey and Temi Ofong, who were prescribed officers at the time) from 1 October 2018. Role based pay was previously part of fixed remuneration, and was addressed within the total remuneration mix (which was also informed by the application of market benchmarks) as follows:

- A portion was added to cost-to-company. The structure of cost-to-company (and particularly the allocation of elements within this to cash salary and benefits) was adjusted accordingly.
- A portion was included into short-term incentive potential.
- A portion was included into long-term incentive potential.

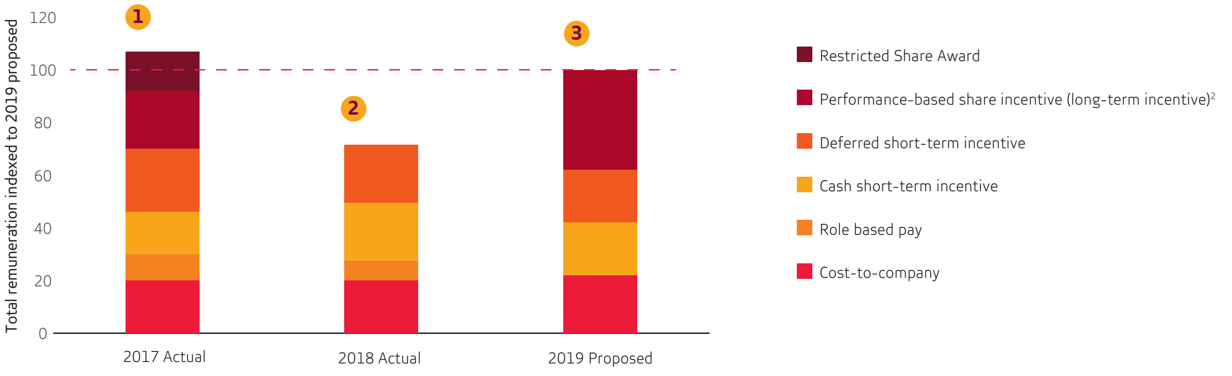
The effect of the above was to expose a greater portion of what was previously delivered as fixed remuneration to performance, and in the case of deferred short-term incentives and long-term incentives, to the Absa share price over the medium term.

Total remuneration potential was set based on detailed market benchmarking and mindful of the performance of the Group relative to that of competitors.

32 material risk takers (including members of the Executive Committee) received role based pay during 2018.

The chart below shows the progression of our remuneration model and resultant pay mix, from 2017 to the envisaged pay mix model from 2019 onwards.

Remuneration elements progression[1]



[1] The chart above references the proposed 2019 structure which is shown at '100'.
[2] Vesting determined based on future performance.

The allocation of restricted share awards in 2017 resulted in a higher level of total remuneration than was evident in subsequent years. There was a reduction in the overall level of total remuneration in 2018 as no long-term incentive awards or restricted share awards were allocated. The 2019 proposed arrangements are aligned to the new Policy.

It is highlighted that the chart is illustrative of the general position that applies, and there is cognisance that individual executive directors and prescribed officers will be subject to different remuneration mix composition, based on the relevant benchmarks for their roles.

Further details of the main remuneration features of each year are:

1. In 2017, the Group was subject to the CRD-IV requirements and role based pay was a feature of the remuneration for Executive Committee members and most material risk takers.

   Restricted Shares without specific Group performance conditions, but with a minimum standard of Group and individual performance, were awarded to increase the retention of key individuals through the Separation.

   Long-term incentive awards with Group performance conditions were issued, which sought to deepen the extent of unvested deferred variable remuneration, and to increase the overall competitiveness of our remuneration relative to competitors.

2. Role based pay was paid for nine months for Executive Committee members, or ten months for other material risk takers. Role based pay was partly incorporated into fixed pay, and to a greater extent into short- and long-term incentive potential.

   No long-term incentive awards were made in 2018.

3. Our remuneration mix is aligned to market practice, following the removal of role based pay. A greater proportion of the total remuneration mix is subject to performance, and in the case of long-term incentives, to future Group performance, in addition to continued employment.

   Long-term incentives awards were made in the first quarter of 2019 and are disclosed on page 61.

Fixed remuneration

The comparative fixed remuneration paid during 2017, 2018, and for 2019 for executive directors and prescribed officers is set out in the table alongside. Total fixed remuneration for 2018 includes all role based pay paid during the year, until its discontinuation from 1 October 2018 for executive directors, prescribed officers and other members of the Executive Committee.

The values reflected for cost-to-company in 2019 are based on market benchmarks and represent the only element of fixed remuneration payable – all other remuneration paid to these individuals will be in the form of variable remuneration. The cost-to-company values applied with effect from 1 October 2018, and will remain in force until reviewed during the payround in 2019/2020, for implementation from 1 April 2020.

The earliest practical date, following regulatory deconsolidation, for the discontinuation of role based pay and movement towards increased incentive-based pay was 1 October 2018. The development of policy changes, including the supporting models, required substantial involvement of, and guidance by, the Remuneration Committee and the Directors' Affairs Committee, as well as communication with executives and senior employees involved.

	Total fixed pay (including role based pay) for 2017	Total fixed pay (including role based pay) for 2018[1]	2019[2,3] Cost-to-company
Maria Ramos	14 959 312	13 814 435	**10 000 000**
Peter Matlare	10 009 312	9 307 074	**7 250 000**
Jason Quinn[4]	5 309 313	5 826 350	**6 000 000**
Arrie Rautenbach[1]		5 456 624	**7 250 000**
Charles Russon[1]		931 325	**6 000 000**
Mike Harvey[1,5]		4 123 034	
Nomkhita Nqweni	7 509 312	7 053 092	**5 500 000**
Temi Ofong[1,5]		4 046 220	

[1] Amounts reflected in the table are prorated for time served as an executive director or prescribed officer during the year. Amounts reflected for Arrie Rautenbach apply from 9 April 2018 to 31 December 2018. Amounts reflected for Charles Russon apply from 5 November 2018 to 31 December 2018 (and therefore does not include any element of role based pay). Amounts reflected for Mike Harvey and Temi Ofong apply from 9 April 2018 to 31 October 2018.
[2] Cost-to-company for 2019 shown for individuals who will be executive directors or prescribed officers during 2019.
[3] No increases to be effective 1 April 2019 were granted to members of the Executive Committee. The cost-to-company amounts will therefore apply until reviewed as part of the 2019/20 Payround process, for implementation 1 April 2020. This will not apply in respect of Maria Ramos, who retired on 28 February 2019.
[4] Jason Quinn did not receive any role based pay.
[5] Mike Harvey and Temi Ofong ceased to be prescribed officers from 31 October 2018. Accordingly, no 2019 cost-to-company amounts are reflected.

Short-term incentives

The Board approved a final Group short-term incentive pool of R2.4bn in 2018 (excluding formulaic sales incentives) after consideration of the Group's performance against the following Board approved measures.

Revenue
R75.7bn
up 4%

Headline earnings
R16.1bn
up 3%

Profit after regulatory capital charge
R2.7bn
up 5%

Our customer franchise health was below our expectations

The level of our short-term incentives have been influenced by the Group's weaker performance relative to peers over the past several years. Role-based pay, which resulted in higher levels of fixed remuneration for recipients, was also a factor. Under the revised short-term incentive arrangements (page 52) we expect variable remuneration to increase over time, provided that the performance of the Group improves in line with the medium-term financial targets as communicated. This will result in more competitive variable remuneration in the context of more competitive performance.

The Board approved a final Group short-term incentive pool of R2.4bn in 2018 (excluding formulaic sales incentives) after consideration of the Group's performance against the following Board approved measures.

The short-term incentive pool was determined as follows:

On-target performance pool	×	Performance modifier[1]	=	Approved performance short-term incentive pool	+	Separation and other discretionary short-term incentive pools[2]	=	Total Group short-term incentive pool		2017 total Group short-term incentive pool
R2 363m		96%		R2 268m		R179m		R2 448m		R2 506m

[1] Performance modifier includes discretionary adjustments as determined by the Remuneration Committee.
[2] Mainly comprises the short-term incentive pool related to managing Separation activities.

Discretion was applied and approved by the Remuneration Committee, to ensure that short-term incentive outcomes were consistent with the overall performance of the Group, taking into account both financial and non-financial performance.

The Separation and other discretionary short-term incentive pool is incremental to the Performance pool of R2.3bn and has been allocated to employees who spend their time working wholly or substantially on the separation from Barclays or those who participate in approved standalone business unit plans. These individuals do not participate in the Group performance pool. The Separation incentive pool falls away on completion of the Separation which is anticipated to be in mid-2020.

No Executive Committee members participate in the Separation incentive pool with Separation activities currently forming part of their day-to-day objectives.

Vesting of share-based long-term incentive awards in 2018

No performance share-based long-term incentive awards vested in 2018, nor did any long-term incentive award performance period pertaining to performance share-based long-term incentives end in 2018. Accordingly, no amount is reflected in the 2018 financial year single total figure on each individual's pages (62 to 69). The third and final performance year for the 2017 long-term incentive awards ends on 31 December 2019. These awards will be reflected in our remuneration disclosures in 2020 for the 2019 financial year.

Historical awards made to executive directors and prescribed officers and amounts paid as a result of the vesting of these are set out in the share and cash-based payments tables on pages 29 to 35 of the 2018 Remuneration Report.

Long-term incentives awarded in March 2019 (with Group performance targets)

Long-term incentive awards were granted in March 2019 to executive directors, prescribed officers and other material risk takers as part of the revised Remuneration Policy, as well as to those other employees to whom a long-term incentive was committed (including where this formed a part of their terms when joining the Group).

The awards made to executive directors and prescribed officers in 2019 are set out below.

	At grant on-target award R '000	At grant maximum award R '000	On-target number of shares[1]	Maximum number of shares[1]
Executive directors				
Peter Matlare	R9 750	R14 625	56 299	84 449
Jason Quinn	R10 000	R15 000	57 743	86 615
Prescribed officers				
Arrie Rautenbach	R10 250	R15 375	59 186	88 780
Charles Russon	R7 000	R10 500	40 420	60 630
Nomkhita Nqweni	R8 000	R12 000	46 194	69 292

[1] Based on a share price of R173.18 calculated using the 20-day volume-weighted average price to 15 March 2019.

The final value of any vesting will be based on the extent to which the performance conditions have been fulfilled, and on the Absa share price at the time of vesting. The Group performance targets applicable to this award are set out on page 53.

Awards are granted at maximum value which is then converted to a number of shares on grant date. The number of shares to vest is then subject to moderation based on the outcomes against defined Group performance measures and targets as assessed at the end of the performance period. An on-target outcome, based on the fulfilment of the relevant performance conditions, will result in awards vesting (all things being equal) at 67% of the maximum award. Performance below the threshold level for a particular performance measure will result in the relevant weighted portion of the award to which that measure relates lapsing.

Dividend equivalents on unvested long-term incentive awards will not be awarded until, and to the extent, that awards vest and will be rolled up into the original award (subject to the relevant performance conditions) on vesting.

Maria **Ramos** Chief Executive Officer

Summary of 2018 financial performance

On a normalised basis, the Group's headline earnings grew 3% to R16 128m from R15 623m and diluted headline earnings per share rose 4% to 1 910.0 cents from 1 845.4 cents. The normalised return on equity was 16.8% from 16.5% and our return on assets was 1.34% from 1.39%. Revenue grew 4% to R75.7bn, with net interest income and non-interest income rising 3% and 5%, respectively. The Group's net interest margin on average interest-bearing assets decreased to 4.64% from 4.83%, largely due to adopting IFRS 9. Gross loans and advances to customers grew 13% to R872bn, while deposits due to customers rose 7% to R736bn. With operating expenses growing 5%, the normalised cost-to-income ratio increased to 57.7% from 56.7%, and pre-provision profit rose 1% to R32.0bn. In constant currency, pre-provision profit grew 2% and headline earnings 4%. Credit impairments fell 10% to R6.3bn, resulting in a 0.73% credit loss ratio from 0.87%. The Group's normalised net asset value per share increased 4% to 11 985 cents and it declared a 4% higher full year dividend per share of 1 110 cents.

Summary of key objectives

Business performance was generally in line with the approved short-term plan, and significant progress was made in regard to Separation. Maria has led the development of the new Absa strategy and oversaw the rebranding of the business in South Africa and the development of the foundations for this in the Absa Regional Operations. We achieved regulatory deconsolidation from Barclays during the year. The Group has made significant progress in regard to the delivery of the Separation projects. Maria led the reconfiguration of the Group Executive Committee. This has resulted in a number of key appointments being made at the next level of the organisation, to bolster the employee benchstrength. Better results could have been delivered in relation to our customer franchise health and our people and culture journey. Similarly, there could have been greater pace of development of the Absa strategy post the approval by the Board in December 2017.

Short-term incentive outcome

Maria's short-term incentive of R15 900 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee, based on an overall assessment of organisational health.
- Maria's own performance, as described above.

Total remuneration (Full year)	2017 Total R	**2018 Total[2] R**
Total fixed remuneration[1]	**14 959 312**	**13 814 435**
Cost-to-company	8 459 312	8 939 435
Role based pay	6 500 000	4 875 000
Total short-term incentives	**15 000 000**	**15 900 000**
Non-deferred cash award	3 000 000	7 950 000
Non-deferred share award	3 000 000	–
Deferred cash award	4 500 000	3 975 000
Deferred share award	4 500 000	3 975 000
Total long-term incentives	**8 000 000**	–
Value at grant of restricted awards[2, 3]	8 000 000	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**37 959 312**	**29 714 435**

1 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Peter Matlare

Deputy Chief Executive and Chief Executive: Absa Regional Operations

Summary of 2018 financial performance

Headline earnings grew 9%, or 13% in constant currency, to R3 218m, largely due to 38% lower credit impairments. Pre-provision profits increased 3%. Revenue grew 5% to R16 323m. Operating costs grew 6% to R9 535m, resulting in a 58.4% cost-to-income ratio. RBB earnings increased 26% to R844m, or 29% in constant currency, given positive operating leverage and 14% lower credit impairments. CIB earnings grew 7%, or 11% in constant currency, to R2 508m as its credit impairments dropped 91%. Absa Regional Operations accounted for 19% of total normalised headline earnings excluding the Group centre and produced a 18.5% Return on equity.

Summary of individual objectives

Peter ensured strong focus on growth and Separation in 2019. Further focus in respect of costs is required. Improved risk metrics and collections aided in the delivery of improved headline earnings for Absa Regional Operations. There has been a strong foundation laid in 2018 for the Separation projects and brand initiatives in Absa Regional Operations. The control environment has improved. Peter made a strong contribution to the Parliamentary Process on Land and took the lead in the Group on the transformation agenda. Peter has built strong relationships with regulators in various Absa Regional Operations countries.

Short-term incentive outcome

Peter's short-term incentive of R11 010 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Overall performance of the Absa Regional Operations.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Peter's own contribution, as described above.

Total remuneration (Full year)	2017 Total R	2018 Total[1] R
Total fixed remuneration[1]	**10 009 312**	**9 307 074**
Cost-to-company	6 509 312	6 682 074
Role based pay	3 500 000	2 625 000
Total short-term incentives	**10 000 000**	**11 010 000**
Non-deferred cash award	2 000 000	5 505 000
Non-deferred share award	2 000 000	–
Deferred cash award	–	–
Deferred share award	6 000 000	5 505 000
Total long-term incentives	**–**	**–**
Value at grant of restricted awards[2, 3]	–	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**20 009 312**	**20 317 074**

[1] 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package.
[2] Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
[3] No restricted share awards were allocated in 2018. Peter did not receive a restricted share award in 2017
[4] No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Jason **Quinn** Financial Director

Summary of 2018 financial performance

On a normalised basis, the Group's headline earnings grew 3% to R16 128m from R15 623m and diluted headline earnings per share rose 4% to 1 910.0 cents from 1 845.4 cents. The normalised return on equity was 16.8% from 16.5% and our return on assets was 1.34% from 1.39%. Revenue grew 4% to R75.7bn, with net interest income and non-interest income rising 3% and 5%, respectively. The Group's net interest margin on average interest-bearing assets decreased to 4.64% from 4.83%, largely due to adopting IFRS 9. Gross loans and advances to customers grew 13% to R872bn, while deposits due to customers rose 7% to R736bn. With operating expenses growing 5%, the normalised cost-to-income ratio increased to 57.7% from 56.7%, and pre-provision profit rose 1% to R32.0bn. In constant currency pre-provision profit grew 2% and headline earnings 4%. Credit impairments fell 10% to R6.3bn, resulting in a 0.73% credit loss ratio from 0.87%. The Group's normalised net asset value per share increased 4% to 11 985 cents and it declared a 4% higher full year dividend per share of 1 110 cents.

Summary of individual objectives

Jason's portfolio grew in 2018, with the addition of Corporate Real Estate Services (CRES) and Procurement (which while stabilised, requires continuous improvement). Jason delivered a very strong performance during the year, contributing to the Group's engagement with shareholders. Planning and reporting were improved during the year. His contribution to the formulation and articulation to shareholders of Absa's strategy and medium-term targets was of a high standard. Positive feedback has been received from shareholders in the context of significant engagements during 2018. Jason successfully managed the transition of Absa's auditors following the offboarding of KPMG. There has been improvement in the articulation of target capital and liquidity targets with the Group Risk and Capital Management Committee. Jason also led the conclusion of the inaugural offshore tier 2 offering, post regulatory deconsolidation from Barclays. The Separation process has been well handled, including managing relationships with key stakeholders. Jason has been a valuable contributor to the Board and to the Executive Committee.

Short-term incentive outcome

Jason's short-term incentive of R11 796 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Jason's own performance, as described above, which includes recognition for the growth in his portfolio and responsibilities during the year.

Total remuneration (Full year)	2017 Total R	**2018 Total R**
Total fixed remuneration[1]	**5 309 313**	**5 826 350**
Cost-to-company	5 309 313	5 826 350
Role based pay	–	–
Total short-term incentives	**8 000 000**	**11 796 000**
Non-deferred cash award	1 600 000	5 898 000
Non-deferred share award	1 600 000	–
Deferred cash award	2 400 000	2 949 000
Deferred share award	2 400 000	2 949 000
Total long-term incentives	**3 000 000**	**–**
Value at grant of restricted awards[2, 3]	3 000 000	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**16 309 313**	**17 622 350**

1 Jason was not a recipient of role based pay.
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Arrie **Rautenbach** Chief Executive: RBB South Africa

Summary of 2018 financial performance

Headline earnings increased 2% to R8 880m, due to 10% lower credit impairments as pre-provision profits declined 2%. Revenue grew 2% to R43 591m, with non-interest income increasing 5%. Operating costs rose 5% to R25 770m, resulting in a 59.1% cost-to-income ratio from 57.4%. The credit loss ratio improved to 0.94% from 1.10%. RBB South Africa generated a return on regulatory capital of 24.0% and constituted 53% of total normalised headline earnings excluding the Group centre.

Summary of individual objectives

Arrie was appointed as a prescribed officer on 9 April 2018, when he assumed the role of Chief Executive, RBB. Arrie led the positioning of RBB to investors. He directed the development, approval and implementation of the redesigned RBB target operating model. Good progress has been made in this regard during 2018. Work has progressed on getting the transactional banking franchise back to health with further improvement required in this regard in 2019. Similarly, slow progress has been made on regaining customers and on improving the customer experience. Further work in this regard is required in 2019. Arrie demonstrated strong leadership of the RBB franchise, and there has been good work done on equality and diversity, especially at the leadership level.

Short-term incentive outcome

Arrie's short-term incentive of R11 305 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the RBB financial results.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Arrie's own performance, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**5 456 624**
Cost-to-company	4 262 180
Role based pay	1 194 444
Total short-term incentives	**11 305 000**
Non-deferred cash award	5 652 500
Non-deferred share award	–
Deferred cash award	–
Deferred share award	5 652 500
Total long-term incentives	**–**
Value at grant of restricted awards[2, 3]	–
Value of long-term incentives vesting[2, 4]	–
Total remuneration	**16 761 624**

[1] 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package, and for the period as a prescribed officer.
[2] Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
[3] No restricted share awards were allocated in 2018.
[4] No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Nomkhita Nqweni Chief Executive: WIMI

Summary of 2018 financial performance

Headline earnings grew 3% to R1 268m, while earnings from continuing business lines increased 8% to R1 195m. Gross operating income grew 10% to R6 869m and operating costs decreased 1% to R3 578m. Life insurance earnings grew 4% to R870m. The embedded value of new business increased 15%. Investment Cluster earnings declined 6%, largely due to margin compression since assets under management grew 1% to R337bn. Short-term insurance earnings grew 32% to R299m. South Africa underwriting margins increased to 9.6%. WIMI's South Africa earnings increased 9% to R1 326m, while Africa Regions reported a loss of R58m. WIMI's Return on equity improved to 21.7% and it generated 8% of total earnings excluding the Group centre.

Summary of key objectives

Nomkhita had a strong year overall in 2018. Further focus is required on end-to-end integration with Retail and Business Banking. The formulation and implementation of the strategy in this regard, which includes resolution of regulatory issues, requires further attention and will be a core focus in 2019. Attrition of key employees and issues identified in the control environment also require further attention in 2019.

Short-term incentive outcome

Nomkhita's short-term incentive of R6 000 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the WIMI financial results and progress made in regard to the business strategy for the WIMI business.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Nomkhita's own performance, as described above.

Total remuneration (Full year)	2017 Total R	**2018 Total[1] R**
Total fixed remuneration[1]	**7 509 312**	**7 053 092**
Cost-to-company	5 009 312	5 178 092
Role based pay	2 500 000	1 875 000
Total short-term incentives	**6 000 000**	**6 000 000**
Non-deferred cash award	1 200 000	3 000 000
Non-deferred share award	1 200 000	–
Deferred cash award	1 800 000	1 500 000
Deferred share award	1 800 000	1 500 000
Total long-term incentives	**3 000 000**	**–**
Value at grant of restricted awards[2, 3]	3 000 000	–
Value of long-term incentives vesting[2, 4]	–	–
Total remuneration	**16 509 312**	**13 053 092**

[1] 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package.
[2] Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
[3] No restricted share awards were allocated in 2018.
[4] No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Charles **Russon** Chief Executive: CIB

Summary of 2018 financial performance

On a normalised basis, the Group's headline earnings grew 3% to R16 128m from R15 623m and diluted headline earnings per share rose 4% to 1 910.0 cents from 1 845.4 cents. The normalised return on equity was 16.8% from 16.5% and our return on assets was 1.34% from 1.39%. Revenue grew 4% to R75.7bn, with net interest income and non-interest income rising 3% and 5%, respectively. The Group's net interest margin on average interest-bearing assets decreased to 4.64% from 4.83%, largely due to adopting IFRS 9. Gross loans and advances to customers grew 13% to R872bn, while deposits due to customers rose 7% to R736bn. With operating expenses growing 5%, the normalised cost-to-income ratio increased to 57.7% from 56.7%, and pre-provision profit rose 1% to R32.0bn. In constant currency, pre-provision profit grew 2% and headline earnings 4%. Credit impairments fell 10% to R6.3bn, resulting in a 0.73% credit loss ratio from 0.87%. The Group's normalised net asset value per share increased 4% to 11 985 cents and it declared a 4% higher full year dividend per share of 1 110 cents.

Summary of individual objectives

Charles served in the capacity of Chief Executive: Engineering Services for the majority of the year, and he became a prescribed officer on 5 November 2018, when he was appointed to the role of Chief Executive: CIB. Charles' performance for 2018 was assessed based on his role in Engineering Services.

Good progress was made on Getting the Basics Right. WhatsApp Banking, Samsung Pay and other digitally oriented innovations were delivered through the year. Additionally, the technical development for WorkDay and the design and build of the vehicle financing functionality were delivered. The Separation project portfolio for Engineering Services was defined. There has been a positive shift in Engineering Services in key transformation categories, including an increased contribution in regard to Black women in leadership. Charles provided critical leadership and dealt with a number of challenging issues in the Engineering Services environment. There were also improvements in the control environment. A key area of focus for Charles in CIB will be to address employee attrition levels in the business. Further commentary on the CIB performance is included for Temi Ofong and Mike Harvey.

Short-term incentive outcome

Charles' short-term incentive of R8 356 000 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the Engineering Services delivery during the year.
- A downward discretionary adjustment at pool and at individual level by the Remuneration Committee based on an overall assessment of organisational health.
- Charles' own performance as Chief Executive: Engineering Services, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**931 325**
Cost-to-company	931 325
Role based pay	–
Total short-term incentives	**8 356 000**
Non-deferred cash award	4 178 000
Non-deferred share award	–
Deferred cash award	2 089 000
Deferred share award	2 089 000
Total long-term incentives	**–**
Value at grant of restricted awards[2, 3]	–
Value of long-term incentives vesting[2, 4]	–
Total remuneration	**9 287 325**

1 2018 fixed remuneration values are shown only for period as a prescribed officer.
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Mike Harvey Co-Chief Executive: CIB

Summary of 2018 financial performance

Headline earnings decreased 1% to R3 367m, primarily due to 76% higher credit impairments. Pre-provision profits grew 5% although 12% higher operating costs exceeded 8% revenue growth. Corporate earnings grew 4% to R1 171m, largely due to 11% revenue growth. Investment Bank earnings decreased 4% to R2 196m, due to 70% higher credit impairments. CIB South Africa contributed 20% of total normalised headline earnings excluding the Group centre and generated a 15.6% return on regulatory capital.

Summary of individual objectives

Mike was a prescribed officer from 9 April 2018 to 31 October 2018. During this time, he was co-Chief Executive of CIB, along with Temi Ofong. He ceased to be a prescribed officer effective 1 November 2018, subsequent to the appointment of Charles Russon as Chief Executive: CIB on 5 November 2018. Mike stepped up to the role of co-Chief Executive: CIB during a difficult time of transition for the business, which was managed within the required parameters under his co-leadership. Separation projects have progressed well under Mike's co-leadership with key milestones being met such as the delivery of a pan African payments capability.

Short-term incentive outcome

Mike's short-term incentive of R10 321 500 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the CIB performance during the year.
- A downward discretionary adjustment at pool level by the Remuneration Committee based on an overall assessment of organisational health.
- Mike's own performance as Co-Chief Executive: CIB, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**4 123 034**
Cost-to-company	2 689 701
Role based pay	1 433 333
Total short-term incentives	**10 321 500**
Non-deferred cash award	5 160 750
Non-deferred share award	–
Deferred cash award	–
Deferred share award	5 160 750
Total long-term incentives	**–**
Value at grant of restricted awards[2, 3]	–
Value of long-term incentives vestin[2, 4]	–
Total remuneration	**14 444 534**

1 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package, and for the period as a prescribed officer.
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.

Temi Ofong Co-Chief Executive: CIB

Summary of 2018 financial performance

Headline earnings decreased 1% to R3 367m, primarily due to 76% higher credit impairments. Pre-provision profits grew 5% although 12% higher operating costs exceeded 8% revenue growth. Corporate earnings grew 4% to R1 171m, largely due to 11% revenue growth. Investment Bank earnings decreased 4% to R2 196m, due to 70% higher credit impairments. CIB South Africa contributed 20% of total normalised headline earnings excluding the Group centre and generated a 15.6% return on regulatory capital.

Summary of individual objectives

Temi was a prescribed officer from 9 April 2018 to 31 October 2018. During this time, he was co-Chief Executive of CIB, along with Mike Harvey. He ceased to be a prescribed officer effective 1 November 2018, subsequent to the appointment of Charles Russon as Chief Executive: CIB on 5 November 2018. Temi stepped up to the role of co-Chief Executive: CIB during a difficult time of transition for the business, which was managed within the required parameters under his co-leadership. Separation projects have progressed well under Temi's co-leadership with key milestones being met, such as the delivery of a pan-African payments capability and progress in establishing our presence in the United Kingdom and United States of America.

Short-term incentive outcome

Temi's short-term incentive of R10 321 500 was determined on the basis of:

- Achievement generally in line with targets of the Group financial metrics of revenue, headline earnings and profit after regulatory capital charge.
- Underachievement of the Group customer franchise health indicator.
- Consideration of the CIB performance during the year.
- A downward discretionary adjustment at pool level by the Remuneration Committee based on an overall assessment of organisational health.
- Temi's own performance as Co-Chief Executive: CIB, as described above.

Total remuneration (Fixed remuneration prorated for time served in 2018 as a prescribed officer)	**2018 Total[1] R**
Total fixed remuneration[1]	**4 046 220[5]**
Cost-to-company[1]	2 612 887
Role based pay	1 433 333
Total short-term incentives	**10 321 500**
Non-deferred cash award	5 160 750
Non-deferred share award	–
Deferred cash award	2 580 375
Deferred share award	2 580 375
Total long-term incentives	**–**
Value at grant of restricted awards[2,3]	–
Value of long-term incentives vesting[2,4]	–
Total remuneration	**14 367 720**

1 2018 fixed remuneration values are shown on the basis of 9/12 of the pre-regulatory deconsolidation package and 3/12 of the post-regulatory deconsolidation package, and for the period as a prescribed officer.
2 Value of long-term incentives on the total single figure of remuneration basis, where performance shares are reflected in the year they vest/the performance period ends, and restricted awards are reflected in the year awarded.
3 No restricted share awards were allocated in 2018.
4 No performance share-based long-term incentive awards vested in 2018, nor did any performance share-based long-term incentive performance period end in 2018.
5 Includes a leave payout of R169 205

Past executive director

David Hodnett

David's resignation arose from a mutual separation agreement. He stepped down from the Executive Committee and as an executive director of the Group and various subsidiaries with effect from 15 May 2018. He served his notice period up to 28 February 2019 subsequent to which his employment terminated.

His remuneration from 1 January 2018 until 15 May 2018, when he ceased to be an executive director, is set out in the single figure remuneration table on page 28 of the 2018 Remuneration Report.

In accordance with the terms of the mutual separation agreement, the following was also confirmed/awarded:

- Handover and close out of major initiatives, until 31 August 2018. During this time, he was required to be available to the Group and to the individuals to whom handover was required to take place.
- Notice period of six months, to be served as gardening leave. This was from 1 September 2018 to 28 February 2019.
- Payment of fixed remuneration (cost-to-company and role based pay) until the end of his notice period on 28 February 2019.
- Payment of accrued leave up until 28 February 2019.
- Eligible leaver treatment on all unvested short- and long-term incentive awards, save in respect of the 2017 Restricted Share Award. These remain subject to the rules of the respective plans until their normal vesting date, including provisions as to malus and clawback. Long-term incentive awards and restricted shares will be subject to the outcomes of the relevant performance conditions.

David did not receive a short-term incentive award in respect of the 2018 financial year. He was not eligible for consideration for any long-term incentive awards after May 2018 and no such awards were made to him in 2018.

Details of historical share and cash awards granted to David subject to the applicable rules and conditions, while he was an executive director, are set out on pages 30 and 34 of the 2018 Remuneration Report.

Chief Executive transition 2019

Maria Ramos

Maria's contractual retirement age was 60 and she retired on 28 February 2019. Her retirement was treated consistently with the Group's policy on retirement at normal retirement age, with no additional benefits applying given her role as either an executive director or Chief Executive Officer.

Maria was awarded a short-term incentive of R15 900 000 for 2018 (page 18), delivered 50% in cash, with 50% of the award deferred in the normal course (25% into deferred shares and 25% into deferred cash). The deferred element will vest in equal tranches on the 1st, 2nd and 3rd anniversaries of the date of the grant of the awards, which was 18 March 2019.

Maria was entitled, as a consequence of her retirement, to the following:

- Automatic eligible leaver treatment, in terms of the rules of the various plans as they apply to retirement at normal retirement age, on all unvested deferred cash, deferred share and long-term incentive awards, subject to malus and claw back considerations in terms of these rules. These awards will remain in the respective plans until their normal vesting date. Long-term incentive awards will be subject to the outcomes of the relevant performance conditions. The [Remuneration Committee/Board] has confirmed that Maria has met the individual performance requirements to qualify for eligible leaver treatment on her unvested restricted share awards and these will vest in full on the normal vesting date.
- Continuation of Bankmed medical aid and conversion option on life assurance benefits without any further underwriting requirements. The cost of these will be for her own account beyond retirement date.
- Treatment of pension benefits within the defined contribution Absa Pension Fund in terms of the rules of the fund.
- Continued eligibility for banking benefits applicable to retirees (including low cost transactional banking and preferential rates on vehicle and home financing) in place at the time of retirement.
- Payment for accrued leave of R2 115 059, in respect of 55 days of untaken leave.

Maria was not eligible for a 2019 long-term incentive award, nor any consideration in lieu of such an award.

Details of Maria's unvested share and cash awards are set out on pages 29 and 34 of the 2018 Remuneration Report.

René van Wyk

René was appointed as an executive director on 1 February 2019 and as Chief Executive Officer effective 1 March 2019. He is appointed on a fixed term contract of employment for a maximum period of 12 months from 1 February 2019.

René will receive an annual cash cost-to-company of R10 000 000, which will be pro-rated should the employment contract run for a period shorter than 12 months, subject to a minimum contract period (or payment in lieu of the balance of the contract) of not less than six months.

René is not eligible to join the Absa Group Pension Fund or the Group Life or Disability plans. Similarly, he does not qualify for membership of other employee benefit arrangements such as the Bankmed medical aid.

René will be eligible for a maximum short-term incentive award of R10 000 000 (to be paid entirely in cash). This will be based on Group and individual performance and will be pro-rated in the event that the employment contract runs for a shorter period. Eligibility for participation in the short-term incentive arrangements applies only to service as Chief Executive Officer for the contracted period and therefore commences from 1 March 2019.

René is not eligible to participate in any long-term incentive plans within the Group.

Illustrative guidance on 2018 single figure remuneration award and resulting cash flows for executive directors and prescribed officers

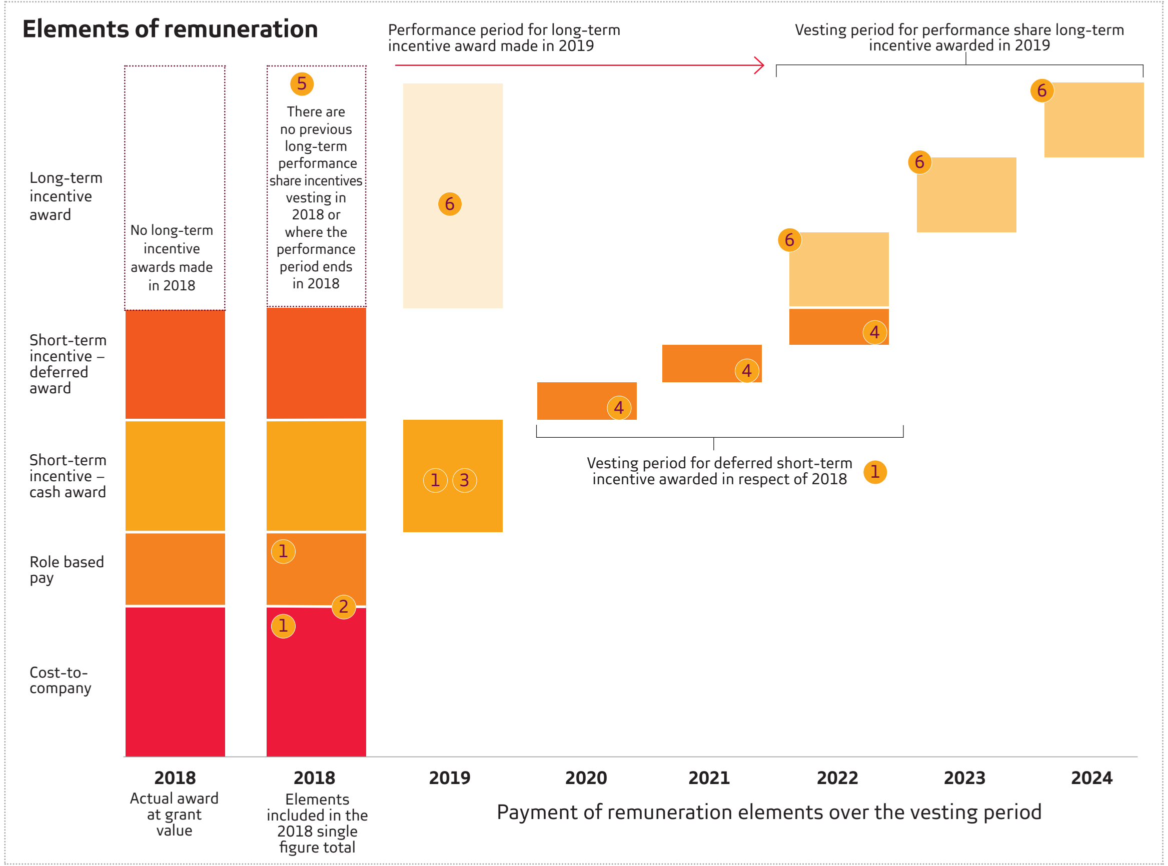
The figure provides guidance as to the determination of the single figure remuneration reported on pages 62 to 69 of this Implementation Report.

Actual award at grant value, is the sum of cost-to-company, role based pay, short- and long-term incentives awarded in, or in respect of, the performance year.

- **Cash fixed remuneration awards and the cost of benefits in lieu of cash** will have equivalent value to the value at grant.
- **Deferred share awards** will vest over the stipulated vesting period and will vest at the share price on vesting date. Dividend equivalents may apply at vesting, and will be rolled up into the final amount to vest, as dividend shares.
- **Deferred cash awards** will vest over the stipulated vesting period. Service credits may apply on the last vesting date.
- **Long-term incentive awards** vest on the vesting date subject to fulfilment of the Group performance conditions and completion of the performance and employment period. Vesting will be at the share price on vesting date, adjusted for achievement of the performance conditions. Dividend equivalents may apply at vesting (only to the extent that awards vest), and will be incorporated into the final amount to vest, as dividend shares.

Single figure total

1. All award values to be included in the single 2018 figure total. The timing of actual amounts received or to be received and the time-frame over which this occurs are set out on the timeline. Values are included using the value at grant. Where awards are subject to share price (for share based awards) and where these may be subject to the further allocation of dividend equivalents, the actual value received on vesting of the awards will be subject to the share price at the time, and to the value of dividend shares awarded.
2. Cost-to-company and role based pay (which applied until the fourth quarter) paid in 2018. For executive directors and prescribed officers who held office for part of the year, the values in the single figure total table reflect only the cost-to-company and role based pay paid in respect of the period during the year as an executive director or prescribed officer.
3. Cash short-term incentive received in respect of 2018, paid in 2019. The full value is shown in all instances.
4. The value at grant of the 2018 deferred short-term incentive (cash and share-based deferral), to be released in equal tranches over three years.
5. There is no long-term incentive value in the 2018 single figure as no awards vested in 2018, or for which a performance period ended in 2018.



6. **Not included** in the 2018 single figure total are long-term incentive awards to Executive Committee members and other eligible employees granted in 2019. The performance period for these awards is 2019 – 2021. The value to vest under these awards will reflect in the single figure table in the 2021 remuneration report. The 2019 long-term incentive award will vest, subject to fulfilment of the performance conditions and completion of the performance period (i) for Executive Committee members one third each on the 3rd, 4th and 5th anniversary of the date of grant; and (ii) for other participants 100% on the 3rd anniversary of the date of grant. The vesting profile illustrated in the figure is as would apply for a member of the Executive Committee. Historical cash and share-based awards, and amounts vesting from those are set out in the cash and share-based award tables on pages 29 to 35 of the 2018 Remuneration Report.

Annual consolidated and separate financial statements pages 118. 2018 accounting charges of executive directors and key management personnel. This includes the accounting charge in respect of all unvested awards for the relevant senior executives.

Group Chairman and non-executive directors' fees

Determination of non-executive director fees

In determining the fee levels of our non-executive directors, we consider the levels of fees paid by our key competitors, general levels of increase applied to non-executive director fees across our market, the level of general increase applied to our employees (and particularly executives and senior management) and overall inflation.

The determination of non-executive director fees is based on the following principles:

- Non-executive directors are paid an annual fee (paid in monthly instalments). Special and ad hoc Board and Board sub-committee meetings are paid a fee per meeting or an hourly rate depending on the amount of preparation time and the length of the meeting.
- The Group Chairman's fee covers the chairmanship and membership of all Board committees and sub-committees (including Absa Bank and Absa Financial Services) except for attendances at the Separation Oversight Committee.
- The chairmen of the Group Audit and Compliance, Group Risk and Capital Management, Remuneration, and Social and Ethics committees receive fees equal to 2,5x (two and a half times) the fee payable to the members. The chairmen of the remaining Board Committees and sub-committees receive fees equal to twice the fees payable to the members.
- The Board Finance Committee and Separation Oversight Committee members are paid per meeting (as these are scheduled as the need arises) and members of the Credit Concentration Risk Committee are paid a separate fee for each credit application reviewed.

Proposed 2019 non-executive directors' fees

The proposed non-executive director fees for the period 1 May 2019 to 30 April 2020 were approved by the Board and are included in special resolution 1 of the notice of annual general meeting. Fees are proposed to increase by 5%, with the exception of those payable in respect of Social and Ethics Committee (7.5%) and Information Technology Committee (12.5%).

	Proposed remuneration 1 June 2019 – 31 May 2020 R	Remuneration 1 May 2018 – 31 May 2019 R	Change %
Board Chairman	6 501 939	6 192 323	5
Board members	585 867	557 968	5
Group Audit and Compliance Committee (GACC) member	337 365	321 300	5
Group Risk and Capital Management Committee (GRCMC) member	331 228	315 456	5
Group Remuneration Committee (RemCo) member	192 715	183 538	5
Directors' Affairs Committee (DAC) member	119 991	114 278	5
Group Credit Risk Committee (GCRC) member	105 879	100 837	5
	3 268 per facility reviewed	3 112 per facility reviewed	
Social and Ethics Committee (SEC) member	134 984	125 566	7.5
Disclosure Committee (DC) member	90 751	90 751	0
Information Technology Committee (ITC) member	157 999	140 444	12.5
Board Finance Committee (BFC) member	23 429 per meeting	22 313 per meeting	5
Separation Oversight Committee (SC)	23 429 per meeting	22 313 per meeting	5
Special Board meeting	37 774 per meeting	35 976 per meeting	5
Special (*ad hoc*) Board Committee and sub-committee meetings	23 429 per meeting	22 313 per meeting	5
Ad hoc attendance	5 173 per hour	4 927 per hour	5

The fees indicated above are exclusive of VAT. Where applicable, VAT will be levied by the non-executive directors and such fees plus VAT will be paid to the non-executive directors concerned (subject to the issue of a valid tax invoice reflecting fees plus VAT).

Group Chairman and non-executives directors' fees continued

Non-executive directors' fees paid during 2018

	2018						2017					
	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	Total[15] R	Group Board R	Group Board committees and sub-committees R	Absa Bank R	Absa Financial Services R	Other R	Total[15] R
Alex Darko[1,2]	577 975	1 026 931	–	–	–	1 604 906	560 419	810 593	–	–	6 715	1 377 727
Ashok Vaswani[3,4]	–	–	–	–	–	–	253 679	200 979	–	–	–	454 658
Colin Beggs[1,5]	671 199	1 667 087	181 655	53 250	226 074	2 799 265	560 419	1 608 138	171 664	208 667	161 511	2 710 399
Dhanasagree (Daisy) Naidoo	597 683	459 050	–	–	–	1 056 733	560 419	452 211	–	–	–	1 012 630
Daniel (Dan) Hodge[4,6]	455 277	257 398	–	–	–	712 675	373 737	199 340	–	–	–	573 077
Francis Okomo-Okello	577 975	123 384	–	–	–	701 359	560 419	116 599	–	–	–	677 018
Mark Merson[1,7]	617 391	458 771	–	–	–	1 076 162	560 419	437 540	–	–	–	997 959
Mohamed Husain[1]	612 075	1 171 753	181 655	–	–	1 965 483	560 419	1 144 452	171 664	–	–	1 876 535
Monwabisi Fandeso[8]	509 165	234 519	–	–	–	743 684	176 293	79 347	–	–	–	255 640
Patrick Clackson[1,4,9]	–	–	–	–	–	–	165 532	128 960	–	–	–	294 492
Paul O'Flaherty[1,10]	462 668	1 214 701	150 844	–	–	1 828 213	518 119	1 402 521	171 664	–	–	2 092 304
Rene van Wyk[1,11]	651 491	1 742 826	181 655	–	–	2 575 972	519 036	1 409 642	157 953	–	–	2 086 631
Tasneem Abdool-Samad[12]	573 318	246 970	29 205	639 525	–	1 489 018	–	–	–	–	–	–
Trevor Munday[1,13]	227 757	276 492	73 013	–	–	577 262	539 269	872 658	171 664	–	–	1 583 591
Wendy Lucas-Bull[14]	6 084 715	66 939	–	–	–	6 151 654	5 707 950	146 760	–	–	–	5 854 710
Yolanda Cuba[1]	577 975	463 598	–	–	–	1 041 573	560 419	497 480	–	–	–	1 057 899
Total	13 196 664	9 410 419	798 027	692 775	226 074	24 323 959	12 176 548	9 507 220	844 609	208 667	168 226	22 905 270

1 The GACC, GRCMC, RemCo and SEC Chairmen receive fees equal to two and a half times the fee payable to members of these committees. Chairmen of the remaining committees receive fees equal to two times the member fee.
2 Alex Darko was a trustee of the Share Incentive Trust (reported under Other).
3 Ashok Vaswani resigned from the Board on 30 June 2017.
4 Fees are paid to Barclays and not to the individual.
5 Colin Beggs is a trustee of the Absa Group Pension Fund (reported under Other). Within Absa Financial Services, Colin was a member of the Group Actuarial and Audit Risk and Compliance Committees until 31 March 2018.
6 Dan Hodge joined the Board on 1 May 2017.
7 Mark Merson remained on the Board as a non-executive director after his departure from Barclays and subsequently became an independent non-executive director.
8 Monwabisi Fandeso joined the Board on 1 September 2017. He resigned from the Board effective 19 November 2018.
9 Patrick Clackson resigned from the Board on 30 April 2017.
10 Paul O'Flaherty resigned from the Board effective 5 November 2018.
11 René van Wyk joined the Board on 1 February 2017.
12 Tasneem Abdool-Samad joined the Group Board on 1 February 2018 and GACC on 1 April 2018. Within Absa Financial Services, Tasneem is Chairman of the Group Audit Risk and Compliance Committee and is a member of the Board and the Group Actuarial Committee.
13 Trevor Munday retired from the Board effective 15 May 2018.
14 The fee applicable to Wendy Lucas-Bull, the Group Chairman, covers chairmanship of the Absa Group, Absa Bank and Absa Financial Services as well as the membership of all Board committees and sub-committees, except for attendance at the Separation Oversight Committee (a special committee established in relation to the Barclays sell-down which will remain in place until completion of the Separation which is anticipated to be June 2020).
15 The fees indicated above are exclusive of VAT. Where applicable VAT has been levied by the non-executive directors and such fees plus VAT were paid to the non-executive directors concerned (subject to the issue of a valid tax invoice).