

The Absa Group today

We are an African group, inspired by the people we serve and determined to be a Group that is globally respected and that Africa can be proud of. We are committed to finding local solutions to uniquely local challenges and everything we do focuses on adding value.

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

We are driven by our purpose and...

...guided by our promises.

We live by our Values.

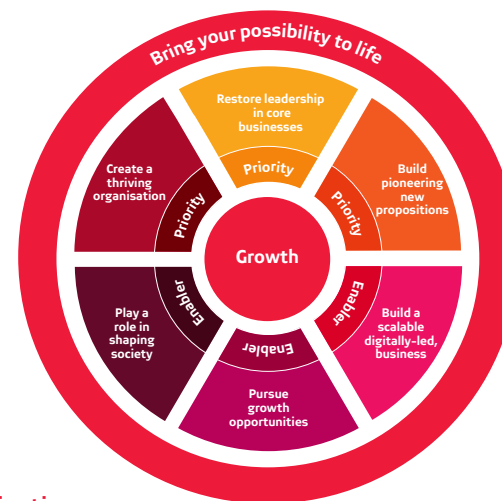
Bring your possibility to life.

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

- 1 For our people**, we will create a culture that appreciates, unifies and differentiates us from our competitors.
- 2 For our customers**, we will create unprecedented, seamless experiences to engage and delight them.
- 3 For society**, all our employees will lead with a conscience... doing the best for people and the planet.

- We drive high performance to achieve results**
- Our people are our strength**
- We are obsessed with the customer**
- We have an African heartbeat**

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



3 priorities

To restore
To innovate
To empower

3 enabling capabilities

To scale
To grow
To shape

Our strategic objectives

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

Our measures of progress

- 1** To grow revenue faster, on average, than the South African banking sector from 2019 to 2021, with an improving trend over time and within appropriate risk appetite parameters.
- 2** To consistently reduce our normalised cost-to-income ratio to reach the low 50s by 2021.
- 3** To achieve a normalised Group return on equity of 18% to 20% by 2021, while maintaining an unchanged dividend policy.

Group performance overview

We offer all our customers across the continent a range of personal, business, corporate and investment, wealth management and insurance solutions.

Diverse and transforming Group

Number of employees
40 856
(2017: 41 703)

Women
61.1%
(2017: 61.2%)

Women in senior management
34.9%
(2017: 34.1%)

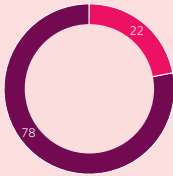
South Africa

Total Black
74.0%
(2017: 73.2%)

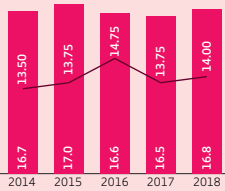
Senior Black management
49.3%
(2017: 44.3%)

B-BBEE level 2
(2017: level 2)

Income
R75.7bn¹
(2017: R73.0bn)

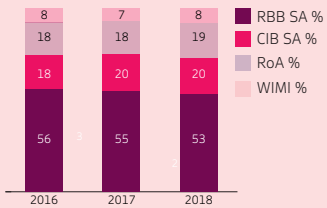


Return on equity (%)¹

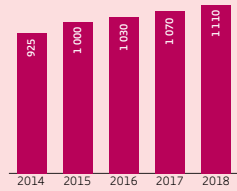


Assets
R1.3trn (2017: R1.2trn)

Headline earnings
R16.1bn¹
(2017: R15.6bn)



Dividend per ordinary share (cents)



Assets under management
R337bn (2017: R335bn)

Strong deposits and loans

Group loans and advances to customers
R842bn
(2017: R750bn)

Group deposits due to customers
R736bn
(2017: R690bn)

Sound risk profile

Stage 3 loans ratio to gross loans and advances
5.1%
(2017: 5.6%)

Credit loss ratio
0.73%
(2017: 0.87%)

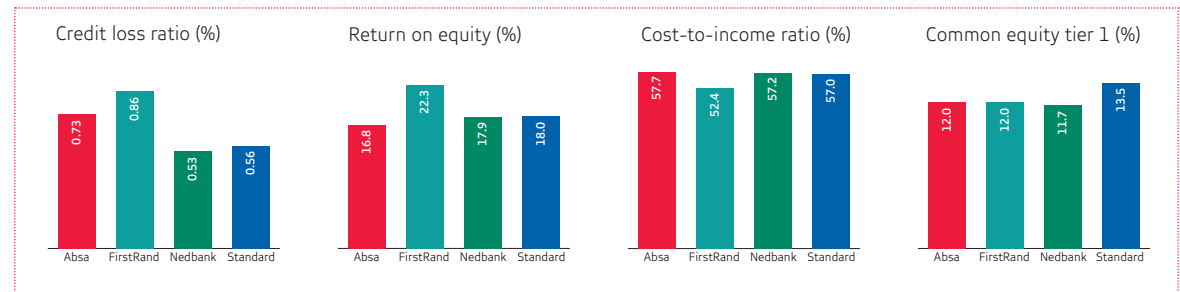
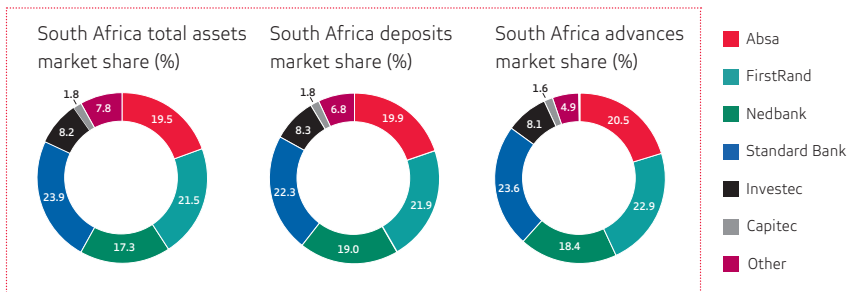
Significant capital and liquidity

Common equity tier 1 ratio
12.0%¹
(2017: 12.1%)

Liquidity coverage ratio
116.7%
(2017: 107.5%)

¹ Normalised
² Rebased to reflect IFRS 9 impact

Absa within the South African banking context



Source: South African Reserve Bank BA 900 31 December 2018

¹ IFRS 9 day 1 impact is being phased in over a three-year period with exception of Nedbank.
² Absa and FirstRand report return on equity on a normalised basis while Nedbank reports on a headline earnings basis excluding goodwill.
³ Nedbank and FirstRand include associate income in the calculation of the cost-to-income ratio, whereas Absa and Standard Bank exclude associate income.
Source: Peer reports

Our **organisational** structure, products and services

Retail and Business Banking (RBB)



Arrie Rautenbach

Products and services

Universal offering across retail, enterprise and commercial banking.

Presence

South Africa

Strategic goals

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

Headline earnings

R8.9bn
53.1%
of Group¹

Revenue

R43.6bn
56.4%
of Group¹

Corporate and Investment Bank (CIB)



Charles Russon

Products and services

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

Presence

South Africa and serving customers across Africa alongside Absa Regional Operations

Strategic goals

Increase share of wallet in current businesses through:

- A focus on key growth sectors (power, utilities and infrastructure, agriculture, consumer, natural resources and financial institutions) through stronger origination and commercialisation capabilities.
- A Corporate Bank focused on transactions, custody and trustee, payments and integrated propositions.
- Product expansion to select markets across Africa – commercial property finance, structured trade commodity finance, risk solutions group and index solutions.

Target new growth including:

- Leveraging partners to expand our footprint in Africa.
- Strong networks across key global corridors leveraging partnerships including in China and greater Asia, while developing our presence in the United Kingdom and the United States to support our customer base in Africa.
- To successfully deliver the separation of Corporate and Investment Bank specific systems from Barclays.

Headline earnings

R3.4bn
20.1%
of Group¹

Revenue

R11.6bn
15.0%
of Group¹

¹ Excluding Head office, Treasury and other operations in South Africa and the impact of the Barclays separation effects.

Our organisational structure, products and services continued

Absa Regional Operations (ARO)



Peter Matlare

Products and services

Comprehensive suite of retail, business, corporate and investment banking products and services.

Presence

Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, Tanzania, Uganda and Zambia. Representative offices in Namibia and Nigeria.

Strategic goals

- To grow share significantly in core middle and affluent markets and to implement innovative and low-cost digital platforms.
- To deliver the optimal distribution channel mix based on customer requirements in the retail business to include agency banking and streamlined bancassurance model.
- To enhance relationship manager capabilities and to reach leading market share in focus sectors in business bank such as agribusiness and supply chains.
- To optimise the current portfolio and deepen the CIB product suite across presence markets.
- To successfully deliver the Separation, including systems and the brand name change.

Headline earnings

R3.2bn
19.2%
of Group¹

Revenue

R16.3bn
21.1%
of Group¹

Wealth, Investment Management and Insurance (WIMI)



Nomkhita Nqweni

Products and services

Advice-led investment, credit and banking solutions for high net-worth customers as well as asset management and insurance offerings.

Presence

Botswana, Kenya, Mozambique, South Africa, Tanzania and Zambia.

Strategic goals

- To build a digitally enabled end-to-end insurance capability to improve access, service and retention while attracting new customers.
- To deepen integration with Retail and Business Banking offering a seamless bancassurance offering.
- To continue building a diverse asset management offering to compete effectively for institutional mandates while attracting increased retail flows.
- To focus on Wealth Management increasing share of wallet, strengthening customer retention and expanding offerings to Private Bank customers.
- To focus on current Absa Regional Operations by optimising returns in countries where we have a presence and which offer attractive growth and return prospects.

Headline earnings

R1.3bn
7.6%
of Group¹

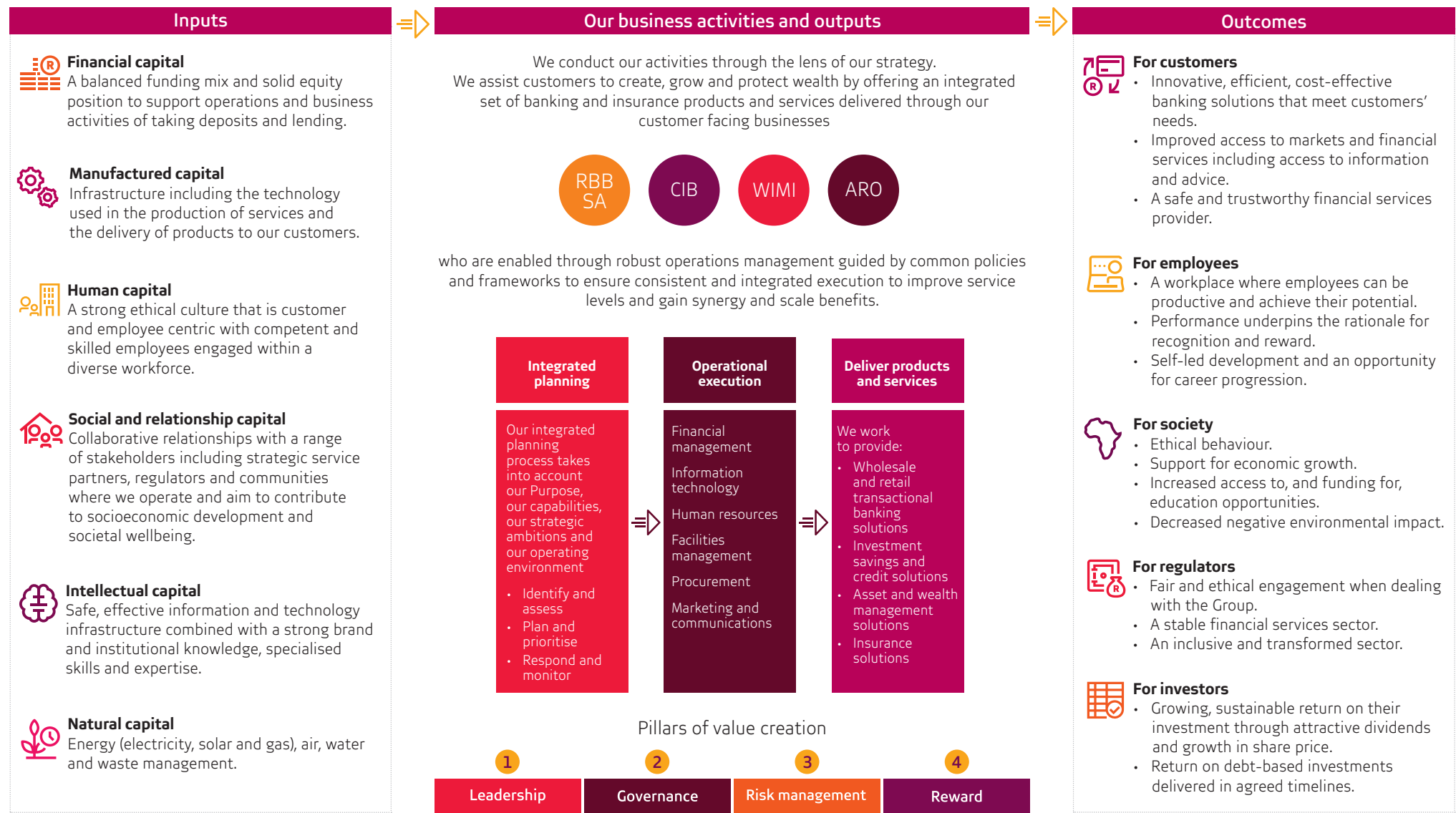
Revenue

R5.8bn
7.5%
of Group¹

¹ Excluding Head office, Treasury and other operations in South Africa and the impact of the Barclays separation effects.

Our value creating business model

Financial service providers play an important role in the economic life of individuals, businesses and nations – helping to create, grow and protect wealth through partnerships in economic development. Our business model is designed to create value for our shareholders and to deliver broader socioeconomic benefits to society.



How we think about value creation

	Value for the stakeholder	Value for the Group	Outcomes	Managing the outcomes
Customers	<ul style="list-style-type: none"> Innovative, efficient, cost-effective banking solutions that meet customers' needs. Improved access to markets and financial services including access to information and advice. A safe and trustworthy financial services provider. 	<ul style="list-style-type: none"> Improved customer satisfaction. Customer trust and support. Increased revenue from existing and new customers. 	<ul style="list-style-type: none"> + NPS® continued to improve, but remains below expectations. + Enhanced digital solutions such as WhatsApp banking, Samsung Pay and Timiza. + Relunched Absa brand with full implementation by mid-2020. + Grew loans to R842bn and deposits to R736bn. 	<ul style="list-style-type: none"> Reorganisation and re-shaping of the business starting with Retail and Business Banking. Ongoing work to stem customer losses; re-shape the customer profile and restore trust and confidence. Driving innovation and articulation of a digital strategy to reshape the Group.
Employees	<ul style="list-style-type: none"> A workplace where employees can be productive and achieve their potential. Performance underpins recognition and reward. Self-led development and opportunities for career progression. 	<ul style="list-style-type: none"> High productivity through quality employees who are engaged and retained. A ready pool of diverse and experienced talent equipped to meet current and future needs. 	<ul style="list-style-type: none"> + New culture and Values. + Improved employee engagement. + Gender and race¹ diversity improving. + Invested R426m in training. + 2 284 learnerships. Employee turnover of 9.1%. 	<ul style="list-style-type: none"> Culture reset delivering a target culture and new corporate values. Implementation of multiple engagement forums. Focus on transformation to include gender and, in South Africa, race.
Society	<ul style="list-style-type: none"> Ethical behaviour. Support for economic growth. Increased access to, and funding for, education opportunities. Decreased negative environmental impact. 	<ul style="list-style-type: none"> Strengthened social licence to operate. Decreased risk exposure for example greater financial literacy. Minimised environmental impacts (direct and indirect). Enhanced economic growth. 	<ul style="list-style-type: none"> + B-BBEE Level 2.¹ + Invested R266m in education initiatives. + R2.9bn procurement with small and medium enterprises.¹ + Five green star rated buildings.¹ - Total emissions 296 468 tonnes CO₂ (down 2.8%). 	<ul style="list-style-type: none"> Ongoing stakeholder engagements informed by a revised Group Policy and engagement framework. Continuous improvement of corporate governance, compliance and risk management practices. Establishment of a Group-wide sustainability programme.
Regulators	<ul style="list-style-type: none"> Fair and ethical engagement when dealing with the Group. A stable financial services sector. Inclusive and transformed sector. 	<ul style="list-style-type: none"> Sound corporate values, high ethical standards, market integrity and good conduct practices. Sustainable operations. Stakeholder trust and support. 	<ul style="list-style-type: none"> + Strong corporate governance. + Compliance with laws. + Achievement of capital and liquidity requirements. 	<ul style="list-style-type: none"> Continued engagement with regulators across all presence countries with a focus on the Separation. Ongoing engagement/contribution to legislative developments.
Investors	<ul style="list-style-type: none"> Growing, sustainable return on their investment through attractive dividends and growth in share price. Return on debt-based investments delivered in agreed timelines. 	<ul style="list-style-type: none"> Adequate levels of capital and liquidity to fund growth. Effective risk management. Investment and support from shareholders. 	<ul style="list-style-type: none"> + Distributed R9.0bn in ordinary dividends. + Retained R9.5bn for future investment. 	<ul style="list-style-type: none"> New strategy and medium-term performance targets alongside a focused Separation programme. Maintained dividend payout. Amended remuneration approach to address shareholder concerns.

¹ South Africa only.

Influencing market drivers, risks and opportunities

There are a number of distinct factors shaping the financial services industry now and into the future. Linked to these market drivers, are risks and opportunities, both general to the external environment and a number that are specific to Absa. These are actively assessed, appropriate responses are defined and the performance monitored both against our strategic ambitions as well as through our principal and key risks as defined within our Enterprise Risk Management Framework (page 19).

1 Competition and technological change: Increasing competition, technology and the pace of change impacts our ability to remain relevant to our customers as well as our competitiveness and the associated operational risk.

Market drivers and key risks

- Disruption through fintechs and new digitally-led competitor banks which also influences customer behaviour.
- Ever increasing sophistication of cybercrime, fraud risk and financial crime requires continuous improvement of monitoring and prevention to protect customers and the Group.
- The need for threat detection, the prevention of security breaches, disruptions and data mis-management.
- The Separation, combined with strategic organisational change, increases business risk, reputational risk (specifically brand risk) and people risk.

Opportunities and mitigation activities

- Building and embedding a winning brand with a focus on innovative business processes and products, including diversification into new markets and customer segments.
- Delivering scalable, digital solutions that focus on customer needs.
- Developing artificial intelligence solutions using global data to strengthen security measures and crime prevention.
- Continuing to invest in technology platforms, processes and controls including monitoring, enhancements and prioritisation of key issues.
- Ongoing employee education on the prevention of cyber related risks.
- Closely monitoring and managing risks arising from the Separation and organisational change.

2 Regulatory oversight: New and emerging regulations impact on our operations as well as our products and services.

Market drivers and key risks

- The increasing pace and evolving complexity of regulatory and statutory requirements across the Group's markets.

Opportunities and mitigation activities

- Maintaining a coordinated, comprehensive and forward-looking approach to evaluate, respond to, and monitor regulatory change. This is done through ongoing investment in people, processes and systems across the Group.
- Participating in regulatory and statutory advocacy groups across all presence countries.

3 **Macroeconomic, socio and political flux:** The macroeconomic environment impacts on our ability to sustain business and achieve our market commitments while the socio and political environments impact on our operating environment. Africa has unique demographics and economic development.

Market drivers and key risks

- Global uncertainty arising from international trade discussions and Brexit result in increased pressure on emerging markets.
- Increasing cost and scarcity of capital, funding and liquidity across global markets.
- Subdued economic growth, high unemployment, increased inequality and low business and consumer confidence impacting South African markets.
- Unfavourable macroeconomic performance with increasing debt burdens, rate hikes and fiscal shortfalls seen in ARO presence countries.
- Policy uncertainty in South Africa is a barrier to investment. Key risks include the mining charter, potential land expropriation, state-owned entity uncertainty and economic disparities.
- Political risk arising from elections and policy uncertainty have affected the economies in a number of presence countries.

Opportunities and mitigation activities

- Monitoring and managing risk strategy and appetite based on the ongoing evaluation of global and African developments to identify and mitigate risks as they arise, while enabling business to pursue opportunities.
- Monitoring leading indicators to ensure economic risks are effectively managed, including:
 - hedging of interest rate risk and foreign exchange risk as appropriate;
 - proactively managing credit portfolio risks; and
 - strengthening the Group's position in the presence countries that are growth markets while seeking opportunities to diversify into new markets.
- Analysing scenarios to assess the impact of a potential South African sovereign downgrade.
- Engaging with communities and supporting initiatives as part of the Group's commitment to play a role in society.
- Participating in industry advocacy groups to contribute to new and innovative ways to solve social challenges.

4 **Focus on social, governance and environmental matters:** Social and climate change risk impacts on the Group, our customers and the operating environment.

Market drivers and key risks

- Persistent inequality, increasing activism as well as emerging regulation and reporting requirements focused on a broader range of social, environmental and governance-related matters.
- Adverse weather conditions resulting in extreme environmental events (e.g. droughts, floods and fires) impacting community sustainability with credit and insurance risk implications.
- Increased global stakeholder focus on sustainability of the investments and customers associated with corporates.
- Complexity of the data available to accurately model the implications of climate change.

Opportunities and mitigation activities

- Engaging internally and with external stakeholders through Group-wide strategic sustainability programme, to understand and assess impacts and opportunities on the Group and for our customers.
- Engaging with communities and supporting initiatives as part of the Group's commitment to play a role in society.
- Continuously assessing the suitability and strategic alignment of products and customer value propositions against changing environmental factors and the impact on the Group's risk profile.
- Developing and enhancing preventative and reactive credit and insurance risk models.

A strategy for growth

3 priorities

Create a thriving organisation

We will differentiate ourselves by:

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

Restore leadership in core businesses

We will restore leadership in our core businesses by:

- Creating a competitive advantage through an understanding of our customers and anticipating their needs.
- Providing our customers with customised solutions across their life-cycle, delivered through superior service and supported by transparent pricing.

Build pioneering new propositions

We will drive growth by:

- Creating a consumer finance franchise within retail that is fully digital, mobile-enabled and equipped to manage risk.
- Developing a global payments hub, offering transactions on a single digital platform, linking businesses across the continent and ensuring easy and affordable cross-border transactions.
- Launching a transactional banking platform for small businesses and corporates, which will provide digitised and automated cash management and trade finance products.

Our purpose



Our goal

Growth of our portfolio while contributing to the growth of the markets we serve.

We will reduce costs by creating a more efficient and effective organisation and deliver top, sustainable returns that maximise long-term value creation.

3 enabling capabilities

Build a scalable digitally-led, business

We will modernise our business by:

- Building digital capabilities that enable us to become a scalable, digitally-led business.
- Building new capabilities to explore growth opportunities and reinforce an entrepreneurial culture.

Pursue growth opportunities

We will augment our organic growth by:

- Pursuing targeted acquisitions and investing in businesses that boost our capabilities.
- Expanding into targeted new markets either through starting new, or buying, existing businesses.
- Leveraging strategic partnerships to further enhance our value proposition and offerings.

Play a role in shaping society

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

- Earning the trust of our stakeholders by contributing to the shaping of communities in which we operate, while acting with integrity and delivering on our promises.
- Contributing to thought leadership in financial services and promoting inter-generational sustainability through the preservation of our environment.

Our strategy is underpinned by **three promises**

Delivering on our strategic intent and realising the promises will result in the Group realising our goal of growth while becoming an African financial services group that is globally respected and that Africa can be proud of.

1 Our People Promise	2 Our Customer Promise	3 Our Social Promise
<p>We will drive a culture that appreciates, unifies our employees, and differentiates us from our competitors.</p>	<p>We will delight our customers and create seamless experiences.</p>	<p>We will lead with a conscience and contribute to society . . . doing the best for people and the planet.</p>
<p>Shared identity</p> <ul style="list-style-type: none"> • Individually responsible for our organisation’s success. • Stronger together, than the sum of our individual parts. • Embrace individual uniqueness and diversity. • Transformed and diverse workforce. <p>Colleague credo</p> <ul style="list-style-type: none"> • All colleagues are empowered leaders of our business. • Take personal ownership and learn quickly from mistakes. • Personify resilience and build trust-based relationships. • Blend experiences and creativity to solution today and create the future. <p>Common purpose</p> <ul style="list-style-type: none"> • Each colleague has a role in achieving our purpose. • Bringing to life the ‘art of the possible’. • People united in serving customers and humanity. <p>Meaningful experiences</p> <ul style="list-style-type: none"> • Actively promote learning and growth. • Create organisation-wide development opportunities. • Enabled working environments. 	<p>Caring</p> <ul style="list-style-type: none"> • We genuinely care about the communities we serve. • We will form a strong bond with our customers. <p>Connected</p> <ul style="list-style-type: none"> • We will understand and anticipate our customers’ needs and aspirations. • We will empower our customer to make their future better. • We will provide integrated solutions that address customer needs. <p>Simple, but not basic</p> <ul style="list-style-type: none"> • We will deliver seamless service to our customers. • We will create solutions that continuously aim to make our customers lives better and easier. • We will make banking possible anytime and anywhere. <p>Professional</p> <ul style="list-style-type: none"> • We will ‘live’ the highest standards of professional conduct. 	<p>Contributing and shaping</p> <ul style="list-style-type: none"> • We will provide thought leadership regarding the development of new and innovative solutions to societal challenges. • We will aim to promote inclusive growth in the societies in which we operate. • We will contribute by caring for our environment and by helping others to do the same. <p>Do the best for people and planet</p> <p>We will test our decisions against the promise of:</p> <ul style="list-style-type: none"> • ‘Best’ as the most desirable and sustained standard. • ‘People’ are individuals, communities and society. • ‘Planet’ is the natural environment.