

**ABSA GROUP LIMITED**

Incorporated in the Republic of South Africa

Registration number: 1986/003934/06

ISIN: ZAE000255915

JSE share code: ABG

JSE bond issuer code: ABGI

("Absa Group" or "the Group")

**VOLUNTARY TRADING UPDATE FOR THE SIX MONTHS ENDING 30 JUNE 2024**

The operating environment remained challenging during the first half of 2024. In South Africa, economic activity has been weak, with first quarter real GDP shrinking slightly and the second quarter data released to date also shows softness. Consumers remain under pressure, with higher average interest rates than the first half of 2023, and business activity has been muted. Retail credit growth has slowed. Overall economic growth in our Absa Regional Operations (ARO) has been stronger than South Africa, although with inflation still elevated, several central banks have maintained restrictive monetary policies. Weaker average exchange rates versus the Rand have been a slight drag on Group revenue, operating expenses and headline earnings for the period.

Against this macro backdrop, we provide shareholders with the following guidance for our performance in the first half of 2024. The commentary below refers to the percent year-on-year change in our IFRS financial results versus the equivalent 2023 period.

In line with the guidance contained in our 2023 results published on 11 March 2024, material base effects in 2023 are expected to impact the shape of our 2024 financial results, as our first half 2023 headline earnings were 14% higher than the second half of 2023. Specifically, we cautioned that elevated credit impairments plus slower revenue and pre-provision profit growth would dampen first half earnings off the higher prior year base. We still expect better second half revenue growth to support stronger pre-provision profit growth that, combined with a lower credit loss ratio than the first half, is likely to support better second half earnings growth off a relatively low base in the second half of 2023.

In the first half of 2024, we expect low single digit revenue growth, with net interest income increasing by high single digits, broadly in line with customer loan and deposit growth. Non-interest income is expected to decrease by low single digits with modest growth in fee and commission income outweighed by noticeably lower net trading income and net insurance income. We expect high single digit operating expense growth, resulting in slightly lower pre-provision profit in the first half of 2024.

As previously guided, our credit loss ratio is expected to be similar to the 127 basis points in the first half of 2023, with lower credit impairments in Product Solutions Cluster, Everyday Banking and Relationship Banking, and higher charges in Corporate and Investment Bank as well as ARO Retail and Business Banking off low bases. We continue to expect our credit loss ratio for 2024 to improve slightly from 118 basis points in 2023.

As previously guided, some items that negatively impacted the second half of 2023 continued into the first half of 2024, including applying hyperinflation accounting in Ghana, further losses on the Naira and costs related to our broad-based black economic empowerment transaction. We expect a substantially lower Barclays PLC separation impact with these four items expected to reduce first half 2024 earnings by approximately 3%.

We expect Absa Group's headline earnings to decrease by mid- to high single digits in the first half of 2024, with earnings expected to decline by high single digits to low double digits. As a result, we expect to report an RoE of around 14% for the period from 15.7%.

Given a strong Group common equity tier 1 capital ratio at the top end of our board target range, we expect to declare a flat interim dividend per share.

We make the following changes to our 2024 guidance, based on our anticipated year-to-date performance and our macroeconomic expectations for the rest of the year. We expect mid-single digit revenue and operating expense growth, producing a broadly similar cost-to-income ratio to 2023's 53.2%, and an RoE of 14% to 15% for 2024 from 14.4% last year.

Management will host a call at 5.30pm (SA time) on 26 June. For details thereof, please see our investor relations website.

Shareholders are advised that the financial information contained in this trading update has not been reviewed or reported on by our auditors. The forecast financial information above is the sole responsibility of the Board.

We will release our 2024 interim financial results on 19 August 2024.

Johannesburg  
26 June 2024

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