

FY25 pre-close call transcript – 8 December 2025

Kenny Fihla – Chief Executive

Good morning and thank you for joining us for Absa's 2025 pre-close call.

As I approach my sixth month mark at Absa next week, I want to update you on our progress since we spoke to you in August.

I will hand over to Deon to present our financial guidance for this year and 2026, and to set out our medium-term financial targets.

Thereafter we will field your questions.

I want to share our revised strategy with you. It is finalised and we have started rolling it out.

Our group purpose and ambition remain unchanged. However, we have modified the underlying pillars.

The first is customer-led growth. Customers are the starting point of everything. Winners are obsessed with knowing their customers and differentiate themselves on customer experience. Since most banking products are the same, customer experience is the key. In retail, customers are much more demanding, for prices that are constantly reducing with margins shrinking. We need to understand and fulfil their needs. Of course, on the corporate side, all corporates are multi-banked and very choosy. Therefore, addressing customer pain points and understanding what makes them tick is our top priority.

In the past we were largely product-led, but are starting to shift to focus equally on client segment and understanding how we can win in those segments. We need to be very clear on which customer segments we want to focus on and how to build competitive advantages in those segments. Sharper customer focus will inform the investments that we make going forward.

Secondly, we want to diversify our group, both from a geography point of view as well as from the business lines point of view. From a geographic point of view, we have an over concentration in South Africa, Ghana and Kenya. If there's an issue in any of these countries, the Group feels it, as we saw with the impact of the sovereign default in Ghana in the last couple of years.

South Africa still contributes about two-thirds of our revenue and earnings. We expect the contribution from Africa regions to increase over the medium-term, given the stronger GDP

growth in the rest of the African markets. Market deepening as well as our increased market share as we continue to execute and implement our strategy off a relatively low base.

Within Africa regions, we are overly dependent on Ghana and Kenya and want to increase the contribution from the other countries. Our bolt on acquisitions in Mauritius and Uganda are part of this strategy. Looking at our footprint, we see massive opportunities in Tanzania and Uganda given significant infrastructure investment, as well as Mozambique, despite the current sovereign debt challenges that it is experiencing.

Moreover, from a business perspective, CIB's performance has been very strong in the last couple of years, increasing its contribution to over half of group earnings. Personal and Private Banking and Business Banking have been drags, and we need to rectify this to improve our diversification.

Thirdly, we need to drive efficiency in terms of both cost and capital allocation, while simplifying operations in order to ensure consistency in customer service.

Improving our cost efficiency is a priority. We must structurally shift costs and reduce our group cost-to-income ratio to closer to 50% as quickly as possible.

Near-term, we are aggressively targeting low hanging fruit such as wasteful expenditure. One example is we have closed the taps on outsourcing thinking to consultants, with meaningful savings achieved already. In some areas we also want to change the culture and mindset away from the "culture of abundance" to prudent financial management.

We also need to allocate capital cleverly, being more discerning about allocating it where we can crowd in ancillary revenue.

Lastly, the fourth pillar is actively exploring new growth opportunities, to ensure we remain relevant amid rapid change. We will invest in initiatives to improve our growth and support our strategy execution. Some of these could be via partnerships and others small acquisitions. One area is accelerating our digitization and digital capabilities. Another is strengthening our Wealth offering, particularly in Africa regions. We'll look at potential Wealth partners. In addition, we want to expand our value-added services, including insurance and launching a Mobile Virtual Network Operator is part of this plan.

Going into next year, we are focusing exclusively on these four pillars and will execute on them diligently. The performance of our senior management team as well as the incentives will be aligned to execution on the back of this strategy.

We articulated our strategy in easily understandable language, making it simple to communicate to teams and cascade it down the organisation, so that every staff member relates to the strategy and see their contribution towards its delivery.

I should call out some of the enablers of our strategy. The strategy requires a cultural shift and we are accelerating the change initiatives that are aimed at shifting the culture within Absa. It will not happen quickly, but I think there is overwhelming support amongst our staff members to remove bureaucracy, move away from an inward focus to focusing on customers.

We are also focusing quite aggressively on ensuring we can strengthen our senior management team. We already announced the appointment of Zaid Moola as CE of CIB and we are glad Zaid started with the organisation from last Monday. We have also made the appointment for CE for PPB, unfortunately we can't give you the name yet, as that appointment is subject to regulatory approval, and we aim to finalise the appointment of the CE of Business Banking by the first quarter of next year.

When Deon shares our targets, you'll see that we're phasing them in over the short and medium term, focusing on ensuring that we improve on a continuous basis as performance is not an event, but a journey.

With the bulk of key hires already behind us, I am confident that we are on track to consistently deliver on our strategy and targets.

I will now hand over to Deon.

Deon Raju – Financial Director

Thank you Kenny and good morning everyone.

Since you may not have gone through the detail of our trading update, I will cover it now.

2025 outlook

Starting with our 2025 guidance, the second half trends are in line with our expectations and our guidance is largely unchanged from when we spoke to you in August.

In South Africa, GDP growth is slightly better while inflation and interest rates slightly lower than we forecast. We are seeing stronger activity in the Corporate sector with healthy loan

growth in the second half across many sectors. Retail activity remains subdued, although more positive YoY. We see consumer health improving, particularly in early arrears, which also reflects changes to our origination strategies and enhanced collections.

Outside of South Africa, in East and West Africa conditions are improving in retail. We continue to see strong momentum in ARO RBB's customers and non-interest income growth. Ghana is cutting policy rates materially, which is a short-term drag, but should stimulate growth in time. Botswana and Mozambique have idiosyncratic challenges.

My commentary refers to the percent YoY change in our financial results versus 2024.

We still expect mid-single digit revenue growth, with stronger growth in non-interest income than net interest income. Net interest income growth will remain muted, although improving in the second half, due to modest retail loan growth in South Africa and slight margin compression. Overall, we expect mid- to high single digit customer loan growth, driven by strong second half growth in wholesale lending, and mid-single digit deposit growth.

Within non-interest income, fee income growth remains moderate, net insurance income is lower given the disposal of the insurance business in Africa regions, while trading revenue continues to grow strongly.

Our credit loss ratio is expected to improve to the upper half of our through-the-cycle target range of 75 to 100 basis points, from 103 basis points in 2024, resulting in lower credit impairments. Improvements in PPB, CIB South Africa and ARO RBB offset increased charges in BB and CIB ARO.

We expect mid-single digit growth in operating expenses, producing a slightly higher cost-to-income ratio than our 53.2% in 2024 and low to mid-single digit growth in pre-provision profit. Higher performance cost growth will be offset by direct cost savings. Our productivity programme should generate a gross benefit of almost R1.8bn for the year, taking its cumulative contribution to R3.3bn. We have also refocussed our investment spend to fewer initiatives that will have greater impact on customers and have reassessed our intangible asset in line with a more conservative capitalisation practise going forward.

Consequently, we expect an RoE of around 15% from 14.8% in 2024 with headline earnings growth in the low double digits. As previously flagged, other reserves have increased our equity more than we expected, reducing our RoE while supporting our NAV.

We expect our Group CET 1 ratio to finish 2025 at the top end of our Board target range of 11.0% to 12.5% and we plan to maintain a dividend payout ratio of 55% for 2025.

We expect a weaker Rand to underpin earnings slightly and Africa regions earnings growth should be noticeably stronger than South Africa.

Division-wise, we expect strong ARO RBB earnings growth, continued momentum in CIB and a smaller head office loss to drive group growth, outweighing moderate PPB growth and lower BB earnings.

2026 shape

Since it's December, I'll make some high-level comments on the shape we expect in 2026. As usual, we'll provide more detailed guidance when we report in March next year.

We forecast improved GDP growth across all our key markets in 2026. We expect far stronger GDP growth from our Africa regions than South Africa again, although Rand appreciation is likely to be a headwind to group revenue and earnings next year.

Revenue growth is expected to improve in constant currency, but remain moderate in 2026, with reported currency revenue increasing by mid-single digits. Net interest income growth should improve somewhat, given mid- to high single digit loan growth. Our net interest margin is likely to compress slightly, particularly as policy rates reduce in Africa regions and wholesale loan growth exceeds retail.

Non-interest income is expected to exceed net interest income slightly, given solid growth across CIB and Africa regions while Business Banking and PBB growth improves.

We expect mid-single digit cost growth in 2026, producing slightly positive JAWS and better pre-provision profit growth. Our productivity programme should generate R1.4bn in gross cost benefits, largely completing its contribution.

Lower policy rates and improved GDP growth should see our credit loss ratio decline further next year to around the mid-point of our through-the-cycle target range of 75 to 100bps. We expect continued improvement in our retail charge in South Africa, given far better early arrears at present.

These drivers should generate an RoE of around 16% in 2026.

Medium-term targets

Having finalised our medium-term budget, I want to share our ambitions with you.

We have set an RoE target range of 16% to 19% for the period 2027 to 2030. We aim to improve our RoE to well within that range by 2028.

We see four drivers improving our RoE.

First, stronger net interest income growth, in the upper single digits medium-term. Africa regions is expected to drive this growth, with stable margins as the rate reduction cycle should be materially complete in 2026, and superior loan and deposit growth to South Africa. However, South Africa should also improve from the muted current levels, given stronger GDP growth, improving confidence and the impact of lower policy rates with margins protected through the structural hedge.

Second, we expect solid non-interest income growth, which is broad-based across fees, insurance and trading revenue. We see continued momentum in CIB and ARO RBB, and while fee income growth in PPB and BB should improve, increased competition and the shift to digital make growth more challenging.

Third, improving our efficiency from current levels is critical. We aim to contain direct operating cost growth to mid-single digits over the medium-term. We see further cost opportunities which include optimising retail banking channels, third party supplier spend, more focussed strategic investments, process re-engineering and discretionary spend such as consultants, entertainment and marketing. With improved revenue growth and costs well contained despite continuing to invest, we expect our cost-to-income ratio to approach 50% by 2028.

Lastly, although less of a driver, we expect our credit loss ratio to cyclically improve further over the medium-term. In particular, we expect to see our unsecured retail charge in South Africa improve.

We continue to execute balance sheet optimisation initiatives, which together with an improved RoE should increase our CET1 in the medium term.

Thank you for your attention, we will now take your questions.

Q&A

Alan Hartdegen

Ross, go ahead with your question.

Ross Krige

Thanks, Alan. Morning, everyone. Thanks for your time today. So three questions from me, I'll just ask them one by one. Just on the fee income within non-interest revenue that you mentioned, you talk about moderate growth. I don't know if you can give us any more detail on what sort of level that reflects. And then it sounds like you're expecting that to remain

challenging into next year, but just wanted to check whether there is some improvement implied or if that strong NIR growth into FY26 is more a function of trading revenue.

The second one is just with regard to Africa regions and the growth plans there. Just wondering if you could comment on the reorganization being made with regard to the structure of the business, just how that business might look in a year or two years?

Whatever timeframe you want to use and maybe talk about some of the drivers behind that. And then finally on the four pillars that Kenny elaborated on at the beginning, just wondering if it's too early to ask, but on the chosen segments that you talk about in the customer-led growth, any thoughts on what those are or might be? And similarly on the diversified Pan African business pillar on the chosen market segments and sectors, is this a work in progress? Should we expect to hear more than this in the future? Any comment there would be great. Thank you.

Deon Raju

I'll deal with the fee income questions. So, we said fee income remains moderate and that's for 2025. We did call out within this, Ross, net insurance income is lower because you've got base effects of disposing of the insurance business in Africa regions.

Trading revenue continues to grow strongly. If you then turn to 2026, we talk about non-interest income is still expected to exceed net interest income slightly, we expect solid growth across CIB and Africa regions. We've seen those trends this year and we continue to see opportunities as we extend into next year.

Business banking was down this year. We don't expect it to be down two years in a row, so we do expect that to recover and we expect our Personal and Private Banking to continue to grow, although moderately.

As we called out, you do have headwinds in fees here given increased competition and reduction in fees associated with cash and branches. However, at the same time, we have seen the trends where driving activity through the use of rewards and data has seen a big uptick in activity levels, particularly towards the second half of the year and also the value-added services are contributing growth. So you've got these two offsets that sit in that business, but the sum of all of that, it's still fee and commission income is still moderate going into next year.

Kenny Fihla

Thanks, Deon. If I may reflect on the other questions, I think the first related to Africa regions and some of them will link to some of the comments that Deon has made.

The first sort of benefit of the new operating model is that it aligns the business unit priorities much better with the country priorities. We haven't completed that process, given that some of the chief executives of the business unit are only starting now, with some only having started in December and the rest will be coming on board in the first quarter of next year. But Charles has already started to harmonise alignment in terms of where we to focus and where the areas of biggest growth are, so that we direct our resources both in terms of fee investment spend as well as capital. Ancillary revenues give us a better chance of driving efficiency and ultimately improving our Africa regions needs. So that is where I can progress and absolutely at the right time, we'll be able to provide feedback on where we are on that journey and what else needs to be done.

In addition, we'll be reorganizing the Africa region to have far more dedicated focus to East Africa, as well as a dedicated focus to the rest of the footprint in addition to aligning from a business unit point of view. That will free up Charles' capacity and time to be able to intervene appropriately, but more importantly, to focus on areas that are likely to give us a massive step change from the overall contribution of Africa. We will be able to talk about that more when we provide the full year results next year.

The question around the chosen sort of client segment. There is no doubt that we've been trying to be everything to everyone and that results in firstly, spend that is spread too thinly across too many initiatives and secondly, dilute the allocation of capital and we use our balance sheet too widely.

The intention is to focus on those segments where we think we can win so that we're able to build appropriate competitive advantage and allocate capital on the basis of the impact that it gives us from a market share point of view. And secondly from the ability to crowd in ancillary revenue, again improving our overall earnings growth as well as our RoE. We have a sense as to what those client segments are, but we want the new CEs to have a fresh look at the areas that have been identified and make sure that they're able to fully commit their resources behind execution so that we're able ultimately to ensure that our strategy does not just live on paper, but it becomes part and parcel of what all of us do on a day-to-day basis. We're comfortable with where we are in terms of the focus on PBB, starting to be comfortable with the focus on Business Banking. But we still think there's a lot of work that needs to be done in that regard. Comfortable with where we are from, the CIB point of view. The thread that runs across all three of these business units is that we need to up the ante when it comes to client coverage.

There is no doubt that there are certain gaps that we need to close, and we've started the process of closing those gaps and hopefully as the CEs come on board, they'll be inheriting

businesses that are also attending to some of the shortcomings so that they've got a better chance of winning and executing on the back of our priorities.

Ross Krige

Understood. Thanks, Kenny. Thanks Deon.

Alan Hartdegen

Thanks Ross, Harry, go ahead with your question.

Harry Botha

Morning, thanks very much and thank you for the detailed guidance. Maybe just in terms of the loan growth, you know that it's improving in the second-half, does that carry through next year, given you've given similar mid- to high single digit guidance for both years? And then I guess, is it reasonable to assume that most of the African growth will be CIB-led? Is there still meaningful market share gain potential in CIB in South Africa as well? Thank you.

Kenny Fihla

Let me start with the overall sort of question. Absolutely, I think that we will continue to lead what we do in the African region, but the intention is that where we've got sufficient scale from the CIB point of view, we should be leveraging that to grow Business Banking, as well as specific segments within our Personal and Private Banking. And in some of the markets that we operate in within the Africa region, we do have that scale, and we're leveraging that scale to also grow our market share when it comes to Business Banking, as well as the middle market within PBB. But we think that there's more work that needs to be done to ensure that the three businesses are far more coordinated and well aligned. Within this is a lot that we could leverage if we can just improve the alignment and the co-ordination across the three business units.

We are also mindful of the opportunities that are presented by South Africa, the fact that the GDP growth in South Africa is starting to rise. We're starting to see increased infrastructure spend, restructuring in the energy sector, the deregulation in the logistics sector has massive opportunities likely to arise as we see private sector participation in the sort of fair trade or logistics sector.

South Africa also has massive opportunities for growth. We however, need to plug some of the gaps that we have organizationally. I refer to just taking our client coverage to the next level. The second area that we are attending to is improving the offering from a structuring and advisory point of view. We have been a very, very strong balance sheet led bank and that has helped drive the growth of CIB.

We can leverage that balance sheet strength to effectively cross sell into ancillary revenues, but we need to have the capability to capture that ancillary revenue. Hence the focus on structuring as well as advisory.

Deon Raju

Harry, maybe just a few comments around the loan growth that we are seeing as you and I had the conversation about our very low growth coming into this year and certainly into the first half of the year, as we have to deal with the back book on impairments that we brought into the year. We are quite pleased to see the loan growth in the second-half that has come through on the wholesale side. I would say across many sectors, renewable and power, oil and gas, mining, metals, agriculture etc. It's just the retail sector that remains a bit subdued, but we have seen very good CIB loan growth.

And you'll know that a lot of that will flow into next year. So it's actually the entry point that's looking very encouraging. I would say even on the retail side, we've seen better secured lending type of activity.

Unsecured will be down YoY. But even there, the last month we see the rate of decline is now stabilized, as origination and maturities are now starting to catch up. And we'll see some runway of that as we start into next year. So we are quite encouraged on what we're seeing at the moment in loan growth and it's important as an entry point into next year.

Harry Botha

Great. Thank you.

Alan Hartdegen

Hi Charles. Go ahead with your questions.

Charles Russell

Hi, morning, Alan, Kenny and Deon. Thanks very much for the call. I have three questions. The first one is just a comment around Africa performance. If you exclude Ghana from the equation what was it, as obviously Ghana's had a tremendous or abnormal rebound over the course of this this year. The second question relates to your cost containment program in 2026. You mentioned mid-single digit growth. It seems that peers are sort of guiding a little bit above that. So just to get some additional colour on that. And then thirdly, can you comment on the hedge performance in the second half, as well as other margin movements and how you think that evolves into 2026?

Deon Raju

Ja Charles, I think we'll give you the detail on Africa regions when we report. I think Ghana, let's acknowledge has been a strong contributor. It's been a drag for a number of years, but it will be a strong contributor given hyperinflation and the strength of their currency. But we are seeing good performance in other parts of the Africa regions portfolio outside of Ghana as well. But, the actual split, we will provide those details when we report.

In terms of cost containment in 2026, I think we are very mindful around things that are within our control, like costs that we feel they we still have opportunities around.

Some of the medium-term themes that I'll call out you know is certainly something that we've got in our plans, but we also have, you know, more structural opportunities. The three I will call out is retail channels Pan-Africa.

How we think about that, the cash costs around that, particularly with the volume of cash reducing as fast as it is. But also manual processing where we have opportunities. The second theme is around bureaucracy and associated committees and processes that Kenny speaks about often, together with duplication. And, I think this allows us to create capacity in head office, which you should see coming through. I think as Charles really spends time on the regional operating model, how we think about group services into the country right sizing. You know, what the business units do, what happens in the country and then what happens at head office is part of that. And the third one is just the culture of abundance and wastage that we think has some short-term low hanging fruit. So that's I suppose bureaucracy, duplication as a second theme.

The third theme is really ongoing on our technology costs and third parties. We have really refocused how we think about spending on strategic investments.

We've cut that investment by a third, because we feel that we are now through the point of the big investment that needed to be done. We can now be a lot more targeted and focus on big impactful investments, but fewer and focus on client and digitization of client experience. And we've been very robust and disciplined as we set that book of work going forward. We've also raised our capitalization levels and re-marked all of that, so that we have a far lower intangible asset as we think about the medium-term and going forward.

Legacy tech as we bring on three new technology and taking that out, these are quite expensive to run. So being very diligent in taking those out and we've still got a lot of third-party contracts that are maturing and we will continue to renegotiate for value.

So those are the three themes around costs and we've got a large part of that in our plans. But there's still elements of that we still doing planning around that we expect to bring through next year.

Oh ja, the hedge performance. The average rate as you would have seen in our half year results was above 7%. That has continued to tick higher given the maturity of some of the five years ago swaps that we did during Covid. So, it's actually higher than that as we speak. And so it's performed well, it's been releasing strongly. In fact, part of our NAV growth has actually been the mark to market of our structural edge. It's gone deeply in the money. You think about five years swap rates now well, well under 7% and on a R100bn portfolio. So it's been very supportive and will remain supportive if we look at our interest rate projections and the very benign rate environment over the medium-term. So it has contributed positively, Charles, in that respect.

Kenny Fihla

Let me just add one point around cost. You would notice that we are making a lot of investment in hiring people, in leadership gaps and ensuring that we strengthen areas that we think are slightly weaker relative to the market. And we are able to do all of that without seeing a significant spike in our YoY cost curve going into 2026. And that's largely because of us capturing the low hanging fruit. From a cost containment point of view, diverting expenditure from wastage into uses that are productive, and we think we've just scratched the surface. There's still a lot that we can do in that regard. So that ultimately, we start to see net saving despite the investments that we're making into the organization going forward.

Charles Russell

Thank you very much. If I could just maybe press in on part B of the third question, which was the margin, the other margin movements in the second half and into 2026.

Deon Raju

Ja. The other margin, Charles, will be as I called out at the half year that we are seeing rate reductions in our big markets. We've seen that in Kenya, and Ghana is cutting rates. So that will be more of the theme. We do have some hedges against that, but those are shorter dated. And as they mature, we see a little bit of that compression now in the second half and we'll see that as a theme into next year until the end of the year before that stabilizes.

Charles Russell

And then on loan growth, is that expected, obviously with wholesale growing faster than retail, to continue to be margin negative?

Deon Raju

From a mix perspective, until unsecured retail lending comes back.

Charles Russell

Thank you very much.

Alan Hartdegen

Hi Chris. Go ahead.

Chris Steward

Thanks Al. Thank you very much for the call this morning. Just a couple of questions from my side. One is if I look mathematically at the guidance you've provided for this year and indeed next, and also the guidance that you've provided with regard to payout ratio certainly this year. You've talked to capital adequacy ratio at the top end of guidance, but you haven't talked to any particular initiatives to return capital to shareholders outside of dividends. It does appear to me as though you come in probably somewhere around 50 basis points short of a 16% RoE target next year unless there are other factors impacting the NAV that perhaps one hasn't yet taken into account. Now, Deon, you talked to the fact that the structural hedge, if anything, has increased the NAV, but at the same time I understand there was some movement around intangibles, and I would surmise that given recent Rand strength, you're probably going to have some foreign currency translation losses coming through the P&L with regard to the translation of some of your offshore capital. I mean is, is that the magic sauce that gets you to a 16% RoE rather than the sort of mid-15s as per your earnings guidance that would be the first question.

And then the second question, if we look beyond 2026, you know part of your guidance is continued strong growth in non-interest revenue. You know if I look at the composition of your non-interest revenue, about 50% of that is fee and commission income in South African retail and business banking which, I guess, with my analyst hat on, I see as being under siege currently and in an accelerated manner over the next few years. And therefore, I guess it may be very difficult even with good performance from those entities to be able to show material growth in those line items. Where do you see yourself making up the gap to be able to deliver strong growth in non-interest revenue, given that that's a very large proportion of your base? Thank you.

Deon Raju

Chris, as we spoke previously around this topic, I think the 2026 RoE of around 16% has very similar drivers as you. As we spoke about previously, positive JAWS is the first one and cost containment within that is a big priority for us.

We do think cyclically we have further runway on impairments given our experience in the second half of the year and where that can go. And that's why we speak about around the midpoint of that range. And that'll be helpful while revenue and lending growth recovers in 2026 and we build momentum in that.

I think the key points around execution is pace of NII growth as you called out recovery in our PBB and Business Banking and the rate of decline of impairments and these execution points are all important in getting to us landing at an RoE of around 16%. You've called out intangible assets, absolutely as a lower intangible asset is supportive both for CET1 and RoE. FX translation, as we do the maths, you know will offset earnings with NAV. So it has little impact on RoE specifically.

In terms of our CET1, you know we do see opportunity for that, as we've called out, to improve in the medium-term, as both RoE as well as our capital and balance sheet optimization initiatives continue to contribute to improvement in capital generation.

Kenny Fihla

And just on your second question, Chris, just to say, if one looks at our market share, I mean from the BA900 with regard to loans and advances to customers. We are very decent across the board. But the problem is that we're not leveraging that to achieve primacy from a client bank relationship point of view, and that's something that we attending to. Firstly, by ensuring that we build appropriate capacity and expertise within the business units, particularly PBB and Business Banking, to think client first and product second. As we speak today, I would say the scale is still tilted in favour of product first, and therefore people will focus on growing the loan book, which is the easiest thing to do and worry about being the primary bank and transactional volumes second.

Even in an environment where you've got declining margins, I still think that there's a lot of money that we're leaving on the table and it is that shift in how we originate and what we focus on, what we regard as being the first thing that we should be able to do and leverage the balance sheet as a hook, but knowing fully well what we're after and make sure that our sales team in a very, very systematic and methodical manner chase the ancillary revenue. I've looked at the details of Business Banking, engaged with the team, visited various regions, Cape Town, countries. The dominant demeanour is still that of pushing that and

people only think about ancillary and being the primary bank only when they are challenged. And I think it is that mindset that we are aggressively changing, but also ensuring that we have the skills and the necessary mindset to be able to execute and drive that NIR growth.

It's not going to swing overnight, but I have no doubt in my mind that if we're able to shift the culture in that focus appropriately, we should still get a reasonable share of those revenue pools despite declining margins.

Chris Steward

Thanks, Kenny. Just one point of clarification, if I may, Deon. The point around intangibles is simply that you're going to adopt a more conservative approach with regard to the capitalization of tech spend rather than any particular impairments of existing intangibles on balance sheet. Is that correct?

Deon Raju

Chris, we've reset our practice around capitalization, we are looking at the current intangible asset and whether that stands a test of our new practice. So we will be looking at whether those will still be capitalized according to our new practice. But it's difficult to say now. We've still got to close this year to close that process out.

Chris Steward

Super. Got you. Thanks very much for your time. Th

Alan Hartdegen

Jacques, go ahead with your questions.

Jacques Conradie

Hi, Kenny. So it's just on the medium-term guidance. I mean it's really nice, it's quite aggressive and bullish guidance from 2027 to 2030 that you put out there. And I mean, before you joined, over the previous few years, Absa has at times struggled to meet the guidance they put out there. So I'd just like some comments on your confidence on these medium-term numbers and maybe what you've seen in Absa over the last six months that's giving you the confidence to go out with quite nice guidance for the medium-term at this stage already.

Kenny Fihla

OK. I think firstly I mean if I just look at the process that we followed in formulating our strategy. It is clear that we are using a completely different starting point, which is clients and segments. Where will this growth come from and what makes us think that we'll be able to win and the alignment that is coming through across the three businesses is encouraging.

And this is within an environment where we do not even have our entire top management team. And with Zaid having started just a week ago, a conversation that he is already having with the team and some of the obvious gaps that we can fix in our CIB business. It becomes pretty obvious that we are leaving a lot of money on the table and by just closing a few gaps, we can up the ante and start to accelerate the growth and the performance of our business. These sort of targets that we've set for ourselves as medium-term targets have been modelled based on actual plans that came true from the business units. In fact, we moderated these plans quite aggressively because we thought that plans do not deliver themselves unless we've got capacity. We've got the right people and we've been able to change the culture sufficiently. There is no point in having plans that are way too ambitious, because they're not going to implement themselves.

So I'm fairly confident, cautiously so though, because we need to start doing certain things as early as possible for us to be able to see the results come end of 2026, 2027 and 2028.

Jacques Conradie

Awesome. Thanks Kenny.

Kenny Fihla

And I can't speak for the previous leaders of Absa. I don't know what process they followed, whether these were targets that came at the back of clarity of thought from a strategy point of view, with plans that backed by real evidence from the business units, or whether it was a thumb suck. I can tell you now that this is not a thumb suck, everyone is focused on execution and we'll make sure that we drive people appropriately.

Jacques Conradie

Fantastic. Thanks, Kenny.

Alan Hartdegen

Hi Tumi, go ahead with your questions.

Tumi Loate

So just three questions from my side. The first relates to I think Chris' question on retail and business banking NII. But for my question, it's specific to Business Banking with us seeing sort of a downtrend in earnings and just the confidence that even in FY26, you're not going to see a down year again, particularly in this competitive environment. So besides just the fees, other areas, we saw your credit impairments tick up in the Business Banking in the first half. Can you also just comment on other areas of confidence around this Business Banking earnings growth trajectory? That's the first question.

Second question on the head office losses. So we saw you had the hyperinflation last year and some of the group treasury costs came down in the first half. Is the main reason why your head office losses have come down, is it mainly the group treasury in Ghana once again and not sort of costs? Maybe just explain the head office losses a bit.

And then last question just on leadership and management, Kenny, you made a comment at the beginning just saying you have confidence in the current team that is there on the bench to sort of drive the strategy forward.

Are we expected to see any more executive appointments in any other areas? We saw the non-execs come in a few days ago, so maybe just a comment on the leadership.

Kenny Fihla

All right. Let me start with the leadership one. And then we'll sort of we'll share the retail and Business Bank opportunity and then Deon will deal with the head offices losses on his own.

I mean, I think that yes, you can expect that there will be other leadership announcements that get made as we sort of start 2026. What we're trying to do is to look at gaps throughout the various stacks or levels throughout the organization and try and close them as much as we can.

One of those was the recognition that in as much as we have good quality individuals on the board, their skills base was overly concentrated on audit and accounting and that we didn't have sufficient commercial and banking experience.

Therefore, the appointments that have been made, I intend to plug that very sort of hole and will continue to use other avenues of ensuring that we broaden the skill space as well as the commercial depth and credit nous within the board. Equally, we are closing gaps within our own management layers. We've appointed Zaid. We're just waiting for regulatory approval with regard to the PBB business and we are in the process of finalizing the appointment of Business Banking in addition to those who are looking at gaps within each of those areas. And one glaring gap is that of client coverage, you know an understanding and obsession with understanding the client segments where the opportunities will come from and ensuring that the organisation is appropriately place to capturing that opportunity, that's an obvious gap in PBB.

That's an obvious gap in Business Banking, CIB not so much, but I think that CIB can improve and we are definitely also looking at how we close those gaps.

And a number of people again whom we are appointing to ensure that they give us that capability to deliver appropriately and make sure that everything that we do is client segment

led and we can align then the resources of the organization appropriately to capturing that opportunity.

Deon Raju

Ja. So to begin on Business Banking specifically, a large driver of them having a down year was they had a single name. Also, the lending in their biggest sector in Agri didn't happen in the first half. That lending has now come back. If I look at the balance sheet levels going into next year, it's actually starting to look really good. Now it's not going to benefit this year, but as you go into next year, you've got that momentum coming back.

As we look at the early delinquency profiles in Business Banking, we're not seeing anything big like we saw in the first half.

I mean obviously that can change, you know, in the first half of next year. But at the moment it's looking fairly clean. I think the other thing that we have seen is that they started to have some wins. I mean, they've just landed a fairly large public sector transactional relationship, which bodes quite well for their transactional banking and associated revenues around that. And I think the thing that we know is going to continue to decline, which is cash revenues. Volumes are reducing, cash fees are reducing, but we expected that and we continue to expect that going forward. But I think if you put all of that in the mix, you know, I think Business Banking momentum into next year, even though they've gone down this year, is looking much better.

And then if I can talk about head office, yes, I did call out that we were going to do significant ALM optimization during the course of this year. I'm pleased that has landed within the Treasury and has helped offset some of the margin decline that we see coming out from outside of South Africa, where you're seeing interest rates come down quite significantly.

So that's actually been quite helpful and supportive for margins. Some of those actions we've taken will flow through to next year. Some of these deposits, expensive deposits will still mature during that time and we still have to get a full year of benefits around that.

The second item there is head office costs. I think we've taken a very hard scrub of head office costs, because you know often in head office a lot of the leaders don't have P&L so they don't always have a cost-to-income ratio. So we have to be a lot firmer and harder around where we see costs that are not necessarily contributing or potentially duplication and activities that we must just stop doing, and that we expect to continue into next year as well. And head office should have a fairly low cost growth next year, as we look at really more productively using those resources at head office.

Alan Hartdegen

Hi James. Go ahead with your questions.

James Starke

Thank you. Yeah, thanks for the opportunity and certainly a welcome outlook into 2026. Four groups of questions from my side. First up, I mean, I know Kenny, you said the retail bank appointment is still to be confirmed, but any chance you can give us a sense of your chosen candidate's background, perhaps their geographical industry experience. I mean, is it a seasoned banker? Is it from outside banking, from South Africa, outside South Africa? Anything along those sorts of lines will be very helpful. Maybe I'll run through all my questions and then to I'll leave you to answer them.

The second one maybe for you as well, Kenny. It's just regarding the client experience on the level of digitization. You flagged that as a key area to focus on, you know, improving VAS, MVNO etc. Can you perhaps just give us some color on how you perceive yourself at the moment from a metric perspective and where you think those might get to, you know, from your current state of affairs? And where you'd like to be in the medium-term in progressing that and then what is the associated investment spend? I know you've mentioned reprioritizing sort of existing spend into more impactful spend, but maybe just some colour, should we expect an incremental investment in the digital capabilities to achieve that end. That's the NIR one. Then just on loan growth, if you can just comment, I know you flagged some improving trends in secured lending in retail in South Africa, but perhaps just give us some colour on where you're finding the growth. Do you have an improved appetite to lend into that space? You know, better execution, acceptance or rejection rates, anything that gives us a sense on that. Particularly for mortgages given that's such a big part of your business and how you're finding the housing market. Consumers are clearly still stinging from some severe house price depreciation everywhere except the Western Cape over the last five years. Is there confidence in that market? Maybe I'll just leave it there for now. Thank you.

Kenny Fihla

Thanks, James. Just on the CE of PBB, we can't provide any sort of additional light at this stage. But hopefully we are talking to SARB to check if they'll be comfortable with us announcing subject to a regulatory approval and so on. Unfortunately we can't provide any more colour. What I can say though is that it's an extremely strong candidate who brings unbelievable skills. Not just from a PBB point of view, but in terms of where that market is headed and I'm very confident that he's the right person for the job at this point in time. But we can provide confirmation when we get the steer from SARB.

From the client experience point of view, I think we have all sorts of measurements that we do and some of these measurements are actually very positive. But we are measuring all existing customers who possibly do not have any other experience other than ours. But that's not quite useful, which is why I want to shift what we measure and how the measurements that we look at from a customer point of view also impact on the profitability of the business, even though they'll be late measures, but we'd want to see that there's reasonable lag that filters down to the performance of the business. So we are refining some of those measurements. The historical measurements were number of new clients on board, that number of clients that are transacting with us digitally. One of those are useful metrics. If you think about them. But what's the net new number of clients that you are adding into the sort of customer base you are effectively looking at one side of the equation, without the balance of the attrition rate on the other.

So we'll be revisiting all of those and making sure that we focus on the right things that ultimately drive the performance and the profitability of those businesses and that consciousness and the work is already at an advanced stage and we would be then changing the scorecards going into 2026 to ensure that they align to things that we think will have a significant impact on the business.

In Africa regions that's less of a problem. What I was describing is more a South Africa problem. I think in Africa regions we are saying actual net growth in clients and that net growth in clients is translated in the actual net growth in our own revenues, as well as the overall performance of those businesses.

Not in South Africa, which is why we're spending a bit of time with the teams to correct that. Otherwise, we praise ourselves that we are winning. But then people will tell how many clients they've originated, but when you look at the quality and what you're making from those clients, you realize that is a false measurement. That is a false sense of winning.

Deon Raju

I'll be brief on the housing market, just given time and we can engage more in March or post this. But we have risk appetite for mortgages, the growth in demand here has been quite low. And I think it's reflective of retail sector activity anyway. Where we are seeing some green shoots though is more on a regional basis like the Western Cape for example.

And part of our strategy is to be far more focused on the regional pockets of growth. That's why when Kenny talks about sectors, segments, it's also about the micro segment and going after the growth where you see it but not broad-based growth yet.

I think this market is very sensitive to instalments. You know, there's a few more rate cuts next year, kind of forecasting a terminal rate of around 6%. So you know, as that comes through, I think that you should start to see more momentum.

As we go into next year, with slightly stronger GDP growth, what I would say is that the delinquency profiles are looking really strong. So the market is using this opportunity to pay down potential delinquencies before we see growth come back. That's enough for now James and then we can engage more.

James Starke

Excellent. Thank you.

Alan Hartdegen

OK, that that looks like all the questions. There's nothing in the chat, so thanks everyone for dialling in this morning and all the best over the festive season.

Deon Raju

Be safe. Take care everyone.

Kenny Fihla

Cheers, bye.

[END]