FY25 speaker notes

Kenny Fihla – Chief Executive

Good morning and thank you for joining us for Absa's 2025 full year results call.

Today marks an important milestone since taking over as Group CEO. I remain convinced of the quality and strength of the Absa franchise and brand. While it is still early in the journey, I am confident in the direction we are taking, and we are already beginning to see encouraging early signs in our results.

I will begin by contextualising last year's operating environment and the key financial highlights that demonstrate our progress, before handing over to Deon, our Group Finance Director, to take you through the detailed results and our guidance for 2026. I will then conclude with the medium-term outlook, after which we will take questions.

Volatile global backdrop, with resilient growth and strong African tailwinds

We are executing our strategy in an increasingly volatile global environment. The global economy entered 2025 amid heightened uncertainty, driven by significant policy actions from the new US administration, including higher tariffs, alongside elevated geopolitical tensions.

Despite this backdrop, global economic conditions proved more resilient than initially anticipated. Concerns around materially higher inflation, rising unemployment or a sharp slowdown in US, Chinese or broader global growth did not fully materialise. Reflecting this resilience, monetary policy eased across most major economies, with rate cuts in both the US and Europe, while Japan remained the notable exception.

Across our other African markets, economic performance was mixed but robust overall. Ghana and Zambia delivered strong recoveries, supported by commodity exports, while the diversified economies of East Africa continued to perform well. By contrast, Botswana faced pressure from weaker diamond markets, and Mozambique remained constrained by security, fiscal and foreign exchange challenges. On a GDP weighted basis, Africa Regions grew by approximately 4.8% in 2025.

In South Africa, economic momentum improved during 2025, with four consecutive quarters of GDP growth supported by structural reforms, resilient commodity prices and lower interest rates, which largely offset the impact of higher US tariffs. Confidence, however, remained subdued amid political tensions and strained diplomatic relations with the US, and GDP growth for the year is expected to be around 1.4%. Inflation averaged 3.2% — the lowest level in more than two decades — and, together with the agreement to gradually lower the inflation target, this enabled the South African Reserve Bank to cut interest rates four times, delivering cumulative easing of 100 basis points.

Strengthening our competitive position through deliberate strategic choices

Through my early engagements with colleagues, customers, regulators and partners across our countries, it became clear that there is a shared belief in Absa's potential and strong alignment behind our growth journey. Our strong foundations provide me with confidence in our ability to execute on our ambition of becoming a leading pan-African bank.

We have made deliberate strategic choices that will allow us to effectively compete

Absa has solid businesses with a strong customer base. CIB is a high quality franchise with deep relationships across corporates, financial institutions and the public sector, and a steadily expanding, diversified presence across Africa Regions. Our PPB, and BB operations serve just over 13 million customers. This strong customer base creates significant opportunities to broaden the services we provide across the continent. But to achieve this we must accelerate the shift of how we are organised around the client

Our Africa Regions business now contributes around a third of Group earnings and grew faster than our South African operations, reinforcing the strength of our pan-African footprint and our ability to connect inter- and intra-Africa trade corridors. We see clear opportunities to increase Africa Regions' contribution by accelerating growth in markets such as Uganda, Tanzania and Zambia, whilst sustaining strong momentum in our larger markets, including Kenya and Ghana. We also see meaningful headroom to increase market share in South Africa across all our businesses.

With a strong balance sheet and a CET1 ratio of 12.7%, we are well positioned to deploy capital deliberately to generate targeted returns aligned with our strategy.

In my engagements across the Group, I've been struck by the depth of capability and experience within our teams. However, a period of frequent leadership change has, at times, meant we have not operated with the level of focus and integration that our scale demands. We are addressing this and remain confident in our ability to attract high-calibre leadership, as evidenced in the recent appointments of Zaid Moola, who has joined to lead our Corporate and Investment Banking business and of Sitoyo Lopokoiyit, who will join us in April to lead our pan-African Personal and Private Banking business.

Strategy is centred on building trust and winning with customers for scaled growth

2025 has been a year of transition for the Group, supported by strategic and operating model shifts, with embedment continuing into 2026 and progressing over the medium-term.

Our strategy is underpinned by four pillars:

Firstly, customers are at the heart of our business, and our focus on customer obsession represents a deliberate shift in how we operate—it is not a slogan. It means organising the Group around the customer rather than internal structures, deepening relationships across our businesses, and holding ourselves accountable for the value we create for customers.

As banking products continue to commoditise, we know that differentiation increasingly comes from the experience we deliver. This requires clear choices about where we compete, relentless focus on addressing pain points that matter most to our customers, and delivering a consistent reliable service.

We are beginning to see this translate into a stronger customer franchise. In Africa Regions, for example, active customers grew by 14%, alongside deeper relationships, as average product holdings rose by 3%.

Secondly, we are building a diversified, pan-African business. Absa operates in 11 African countries outside of South Africa, and our Africa Regions business continues to demonstrate its strategic importance, growing headline earnings by 25% and as mentioned, now represents 31% of our earnings. We have identified substantial opportunities across the continent and within our business units which we are well positioned to capture. There is, however, important work still to do. That work is already underway, building on the leadership appointments I referred to earlier in CIB and PPB, with BB to follow. These changes will enable deeper pan-African integration and allow us to unlock greater synergies and economies of scale across our businesses and markets.

Thirdly, we are driving operational excellence. Reducing bureaucracy and internal complexity is a deliberate priority. Left unchecked, bureaucracy is inefficient, stifles innovation, deters talent and turns organisations inward rather than toward the customers who reward us for delivering real value. We are therefore simplifying how we work, accelerating decision making and reinforcing clear accountability to restore speed, focus and execution discipline across the Group. Whilst our cost to income ratio is not yet where we want it to be, our productivity initiatives are delivering tangible progress, and we remain firmly on track to achieve R5 billion in gross cost savings by the end of 2027, reinforced by a more rigorous and disciplined approach to capital allocation.

Our fourth pillar is pursuing new growth opportunities. Across parts of our industry, tradition is being challenged, and neither legacy business models nor established ways of working can be relied on for continued relevance. Customers today have far greater choices and flexibility in how they access products and services. At the same time, advances in artificial intelligence are reshaping how value is created and delivered, opening new ways to serve customers more intelligently and efficiently. Against this backdrop, we are pursuing growth opportunities aligned to our strategic priorities, including partnerships, disciplined applications of AI and targeted acquisitions. The acquisition of Standard Chartered's Wealth and Retail Banking portfolio in Uganda is one such example.

Finally, I would like to highlight our people and culture as a critical enabler to this strategy. We are creating a culture that supports performance and long-term competitiveness. We are accelerating initiatives to foster an outward, customer-focused mindset and reduce bureaucracy. I am proud that, for the fifth consecutive year, Absa has been recognised as a Top Employer by the Top Employers Institute.

These pillars set clear direction and strategic focus for the organisation, underpinned by disciplined execution for sustainable value creation.

Performance momentum in FY25 underpinned by solid earnings growth

Within this context, the Group has delivered a solid financial performance, supported by a 12% increase in headline earnings and a steady 5% revenue growth. Our RoE improved to 15%, while preserving a solid capital position, which continues to underpin our balance sheet resilience. At the same time, we saw some pressure on the cost-to-income ratio as we invested to support delivery and strengthen our operating platform.

We continue to deliver value to shareholders with a 12% increase in dividend per share and an 8% increase in our net asset value per share. We are clear on what is needed to improve efficiency and returns over time across our businesses, whilst maintaining balance sheet strength.

Solid earnings growth driven by our CIB and Africa Regions businesses

CIB delivered another strong year in 2025, with earnings up 14%, accounting for almost half of Group earnings, and returns of 21.1%. Performance was underpinned by strong top-line growth of 9%, driven primarily by Global Markets, alongside a 14% reduction in credit impairments. Net customer advances increased by 10%, including R35bn in sustainable finance - contributing towards the R53bn delivered by the Group.

We are encouraged by the momentum in Personal and Private Banking South Africa. The strategic focus to improve ROE has yielded early improvements from 17% to 17.6% and headline earnings growing by 7%. Our customer focus is translating into positive leading indicators, with transactionally active customers up 3%, product usage increasing by 5%, and rewards memberships growing by 28%. While this momentum is encouraging, further work is required to fully entrench a customer-centric culture and to drive stronger growth in customer numbers across our chosen segments as we convert these early gains into sustainable performance.

Business Banking is a franchise where we recognise the need for a more fundamental step-change with headline earnings decreasing by 8%. We are clear about the challenges in the business and are addressing them deliberately with a strategy reset currently underway. To unlock its full potential, we are being more deliberate about the customers we choose to serve, supported by clear value propositions and a transparent line of sight from strategy to value delivery. As I mentioned earlier, this transformation starts with leadership, and we are in the process of appointing a pan-African Head of Business Banking to drive the integration, focus and execution required to reposition this franchise for sustainable growth.

Africa Regions PPB and Business Banking delivered a very strong performance in 2025, with earnings up 51% year on year, underpinned by double-digit revenue growth driven by strong expansion in both the active and digitally active customer base. Credit impairments declined by 17%, reflecting improved portfolio quality and collections performance. Returns strengthened meaningfully, with ROE increasing by 5 percentage points to 17.1%.

I would like to hand over to Deon to present a detailed overview of our financial results for 2025 and 2026 guidance.

Deon Raju – Financial Director

Thanks Kenny and good morning everyone.

I will unpack our results and set out our 2026 guidance.

Solid 2H25 earnings growth off a high base

Starting with headline earnings, after strong first half earnings growth to R11.9bn, our second half earnings increased 8% YoY and HoH to almost R13bn.

While revenue growth remained moderate at 5% in the second half, net interest income growth improved to 5%, on the back of stronger second half loan growth.

In addition, our second half credit loss ratio of 77 basis points was better than we expected.

Non-interest income, lower credit charge drove earnings

Turning to our full year income statement drivers, headline earnings grew 12% to almost R25bn. The increase was largely due to solid non-interest income growth, plus lower credit impairments.

Net interest income grew 4%, reflecting 6% higher average interest-bearing assets and some margin compression.

Non-interest income rose 7%, given a strong trading performance.

Hence, total revenue grew 5% to R116bn.

Operating expenses increased 6%, resulting in slightly negative operating JAWS, and 4% higher pre-provision profit.

Our credit impairments decreased 6%, given lower charges in most businesses.

'Other' includes several items, notably no longer applying hyperinflation accounting to Absa Bank Ghana.

Deposits the main drag on net interest margin

Our net interest margin narrowed 10 basis points to 453 basis points, as a result of a lower deposit margin.

Customer loans had a 1 basis point negative impact on our margin. Competitive pricing pressure in Business Banking and Transactional Banking SA, offset the positive mix impact of stronger average Africa regions loan growth and muted Home Loans growth.

Customer deposits reduced the overall margin by 16 basis points, reflecting lower policy rates in Africa regions and pricing pressure, particularly in Transactional Banking SA. Lower rates reduced the deposit endowment by 6 basis points.

In South Africa, the endowment impact after hedging was neutral, since our structural hedge added 9 basis points to our margin.

SA structural hedge helps maintain a stable margin

Our structural hedge in South Africa has kept our margin relatively stable in the past 5 years, during a period in which prime increased by 475 basis points and then declined by 150 basis points.

Our hedge has performed exactly as it was designed to, offsetting moves in the equity and deposit endowment.

The average structural rate earned on the programme rose 13 basis points to 732 basis points, well above Jibar. The post-tax cash flow hedging reserve grew to a credit balance of R2.8bn as at 31 December 2025.

In a declining rate environment, South Africa's margin held up relatively well given the structural hedge, reducing 7 basis points to 3.8%, while Africa regions where the ability to hedge is more constrained declined from 7.8% to 7.4%.

Our interest rate risk post hedging increased to R1.4bn per 1% reduction in policy rates, due to strong growth in transactional deposits in Africa regions.

Balance sheet continues to grow

Turning to our balance sheet, loans to customers continued to grow, albeit at a slower pace, with the strong Rand at year-end a drag on balance sheet growth.

Net customer loans grew 6%, driven by 10% growth in CIB. Growth in PPB remains low, increasing 3%, with Home Loans 2% and vehicle finance 7%. Business Banking grew 6%, with solid growth in commercial asset finance and CPF. Africa regions PPB and Business Banking was flat due to Rand strength, however it grew 10% in constant currency.

Customer deposit growth slowed off a high base, growing 6%. PPB was up 3%, as fixed deposits decreased 4% and savings and transmission deposits grew 7% due to deposit optimisation initiatives. Business Banking rose 7%, with pleasing 11% growth in transactional deposits. Africa regions PPB and Business Banking deposits rose 8% in constant currency. Lastly, CIB grew 6%, with double digit growth in both cheque and call deposits.

With loan growth improving in 2H25

Since reverse repos distort our loan trends somewhat, we show net customer loans excluding them to better reflect the actual growth in lending.

On this basis, it is clear that loan growth improved in the second half, with 7% annualised growth. In fact, loan growth improved for all our businesses, on an underlying basis.

Strong Markets underpinned non-interest income growth

Non-interest income grew 7% to account for 36% of group revenue. Unpacking it, net fee and commission income remained low, growing 3%, although it still represents almost two-thirds of the total. Within this, fee and commission income rose 5%, as transactional fees and commissions increased 4% and merchant revenue grew 16%. However, fee and commission expenses increased 19%, driven by cash in transit and service charge reclassifications.

Net trading income excluding the impact of hedge accounting grew strongly, given significant Markets SA growth.

Net insurance income declined 3%, given the sale of three Africa regions insurance entities in the first half. Insurance SA decreased 2%, as revised assumptions and modelling changes in the second half and lower unsecured lending volumes resulted in gross operating income declining 5% in Life. Non-life increased 17%, driven by improved cross-sell and underwriting margin.

Global Markets revenue growth was broad-based

Global Markets income rose 31% to over R11bn.

Markets SA increased 41%, with significantly higher FICC and commodities revenue that benefited from elevated volatility. Equities and Prime reflected market share gains on sustained growth in client flows.

Global Markets Africa Regions rose 23% to over R5bn, with strong growth in several markets, despite a challenging operating environment overall.

Inflationary growth in operating expenses

Turning to operating expenses, staff costs grew 8%, while growth in non-staff costs was well contained at 4%.

Staff cost growth was largely due to inflationary salary increases. Performance costs rose 15%, as we invested in key senior talent and our performance improved.

Continued investment in new digital capabilities is evident in higher IT-related spend. Intangible assets decreased, as we impaired R2.4bn of computer software assets during the year. We expect intangibles to continue reducing as we become far more selective on investment spend. Marketing grew 8%, given increased spend on brand, campaigns and sponsorships.

Conversely, continued optimisation of our property portfolio produced low growth in depreciation and property costs of 2% and 1% respectively. Moreover, cash transportation costs fell, as the market continues to de-cash with customers shifting from traditional channels to digital.

Our productivity programme remains on track. It delivered gross cost benefits of R1.7bn, taking the cumulative benefits to R3.1bn of the total gross commitment of R5bn by 2027. Savings came from optimising back office and channels, third party supplier spend and technology infrastructure. A high proportion of this was re-invested in new digital, data, AI and cybersecurity investments. We believe there are further opportunities to increase the net cost take out to support our lower cost-to-income ratio ambitions.

Credit loss ratio reduced noticeably …

Moving to asset quality, our credit impairments decreased 6% to R13.4bn, as most businesses declined.

Our credit loss ratio improved more than we expected, from 103 basis points to 88 basis points, the mid-point of our through-the-cycle target range.

… with asset quality improving across most books

Unpacking the portfolios, the largest, PPB credit impairments declined 8% to R9bn.

Unsecured Lending's credit loss ratio reduced slightly, reflecting a large improvement in Card. Despite improving delinquencies, Personal Loans rose given non-recurring benefits in the base from forward-looking assumptions and one-off model changes.

The pre-legal book in Home Loans continued to improve, although its late stage legal book remains under pressure.

VAF declined materially, due to enhanced collections, revised credit policies and exiting certain higher risk segments in prior years.

In Business Banking, improved recoveries and model updates in SMEs partially offset higher single name Commercial charges in the first half.

Africa regions PPB and Business Banking reduced noticeably, due largely to strong collections in Business Banking and improved impairment models in PPB.

Lastly, CIB improved to the bottom end of its target range, driven by lower stage 3 provisions in South Africa, while an improved portfolio construct reduced performing book provisions in CIB Africa regions.

Stage 1 gross customer loans grew 6%, reflecting book growth and improving loan quality, while our distressed loans declined.

Total stage 1 and 2 coverage decreased, mostly due to PPB's improved new business performance, given tighter credit granting and a shift to higher quality origination.

Gross stage 3 loans, or non-performing loans, declined 2% as most areas reduced. This was partially offset by Mozambique sovereign moving to stage 3. Consequently, NPLs improved to 5.6% of our loans from 6.1%. NPL coverage decreased to 46%, reflecting several large write-offs and recoveries.

Combining these factors, total loan coverage reduced from 4.1% to 3.7%, which remains appropriate for the current environment.

CIB momentum continued

Moving onto our businesses, CIB maintained its positive momentum, growing earnings 14% to R13bn, accounting for 48% of earnings.

Strong Global Markets growth and lower credit impairments were the main drivers. Importantly, its RoE remained over 20%.

Benefits from diversification, with strong IB growth

CIB continues to benefit from business and geographic diversity.

Transactional Banking earnings declined 9%, with South Africa driving the decline. Revenue growth was impacted by external pricing pressure and lower policy rates.

Conversely, Investment Bank earnings were strong, growing 26% on the back of pleasing 16% revenue growth and 16% lower credit impairments. Global Markets was the main top line driver.

From a geographic perspective, CIB SA earnings rose 12%, given 7% pre-provision profit growth and 16% lower credit impairments.

Lastly, CIB Africa regions earnings rose 16%, reflecting 16% growth in pre-provision profit and 9% lower credit impairments.

Some positive signs as PPB gains traction

PPB earnings grew 7%, largely due to lower credit impairments. Revenue remained soft, growing 2%, although it improved in the second half. PPB's RoE rose and we see scope to increase it further medium-term.

Secured lending businesses drove PPB earnings growth

PPB benefited from combining Everyday Banking and Product Solutions Cluster into a single business with greater customer focus. Active transactional customers grew 3% to 6.1m, with digital accounts up 11%. Improved cross-sell and strong Rewards growth shows increased customer engagement. This growth helped offset fee declines in traditional channels and payment rails as customers migrate to lower cost digital banking, resulting in overall non-interest income growth of 3%.

Within PPB, Transactions and Deposits earnings grew 5%, largely due to 40% lower credit impairments.

Muted NII growth after deliberate risk cut backs in Personal Loans dampened Unsecured Lending earnings, which declined 6%. Personal Loans earnings fell 76%, while Card grew 29%.

Home Loans earnings grew 10%, as credit impairments declined and tight cost management offset muted revenue growth.

VAF earnings rose 52%, mostly due to 19% lower credit impairments, and slight pre-provision profit growth.

Substantial opportunity to improve Business Banking performance

Business Banking earnings decreased 8%, due to 5% lower pre-provision profits and 18% higher credit impairments. Its revenue remained under pressure with non-interest income down 2%, given 5% lower transactional revenue due to PayShap adoption, 4% lower cash volumes and muted acquiring growth.

Business Banking's second half performance was stronger, with improved loan growth and credit impairments, while transactional deposits grew 11%.

Customer numbers were flat, although digitally active customers grew 4% and we are seeing the positive impact of rolling out digital onboarding in late 2025.

Commercial is the biggest segment within Business Banking by far, generating around three-quarters of revenue. While Agriculture remains the largest business in Commercial, we saw pleasing growth in target areas, such as wholesale, retailer and franchise sectors, as this business diversifies its client base.

SME segment revenue grew 3%, given 8% deposit growth and improved product holding.

Business Banking's RoE declined to 22%, from 24%. However, we plan to increase its returns significantly over the medium-term, driven by diversifying its client base and improving revenue growth.

African Regions PPB & BB strong revenue-driven growth

Africa Regions PPB and Business Banking earnings increased 51%, or 45% in constant currency, due to strong growth in transactional customers and revenue, plus 18% lower credit impairments. Its RoE improved noticeably to 17%, despite a 1% drag due to selling our insurance businesses in Botswana, Zambia and Mozambique, which reduced the insurance earnings significantly.

Strong Africa Regions PPB & BB Banking operations momentum

Africa regions PPB and Business Banking maintained its strong growth in active customers, up 14% to 3m, maintaining its 14% compound growth since 2021.

Banking operations revenue grew 14%, given solid growth in transactional revenue and average balance sheet. This produced strong 24% growth in pre-provision profit, improving its cost-to-income ratio to 62% from the low 70s three years ago.

CET1 ratio slightly above our target range

Turning to capital. We remain well capitalised, with our CET1 ratio improving to 12.7%, slightly above the top end of our 11% to 12.5% Board target range, and comfortably above regulatory requirements.

We remain capital generative, as profits added 2% to our CET1 ratio. Importantly, increasing our RoE further medium-term will improve our capital generation.

Risk-weighted asset consumption and dividend payments reduced our CET1 by 0.8% and 1.1% respectively during the period.

Group RWAs grew 6% during the year, slightly less than total assets, driven by 6% higher credit risk RWA.

We implemented Basel IV from 1 July last year, which initially reduced our RWAs marginally.

2026 outlook

Finally, I'll set out our guidance for 2026.

The macro forecasts on which our guidance is based were made before the latest developments in the Middle East, which could increase energy prices and inflation, plus reduce global risk appetite for some time. Prior to the conflict, our baseline for South Africa was for 1.9% GDP growth, low 3% average inflation and a further 50 basis points of rate cuts in 2026. Our baseline was for 5.3% GDP-weighted growth across our Africa regions countries, with lower to flat policy rates for all, besides Botswana.

Based on these assumptions, and excluding further major unforeseen political, macroeconomic, or regulatory developments, our guidance for 2026 is largely unchanged and as follows:

We expect mid-single digit revenue growth, with non-interest income growth above net interest income. We expect mid- to high single digit growth in both customer loans and customer deposits.

Our credit loss ratio is expected to improve slightly, into the bottom half of our 75 to 100 basis point through-the-cycle target range.

We expect low to mid-single digit growth in operating expenses, producing positive operating JAWS and mid-single digit pre-provision profit growth.

Consequently, we expect an RoE of around 16%. As we noted previously, other reserves have increased our equity more than expected, reducing our RoE while supporting our NAV.

We expect our Group CET 1 ratio to finish 2026 at the top end of our target range. We expect to maintain a dividend payout ratio of 55% for 2026.

Lastly, we expect Rand appreciation to be a headwind to group revenue and earnings growth in 2026.

Thanks for your attention, I'll had you back to Kenny to cover our medium-term guidance.

Strong foundations and disciplined focus underpin our medium-term guidance

Thanks Deon, these results provide a basis off which we will continue to show performance momentum, leveraging the strengths of our franchise and driving disciplined execution aligned to our strategy.

Our strategic direction is clear. 2025 was a transition year in which we delivered tangible proof points against our priorities, as outlined earlier in this presentation. We have a well-defined plan to improve scale and returns, and we are positioning the Group to be well within our RoE target range of 16–19% by 2028.

First, we will accelerate non-interest income growth across all businesses.

Second, we will tighten cost discipline, particularly pre-incentives across all business lines, with a sharper focus across Personal and Private Banking, Business Banking and Head Office.

Third, we expect net interest income growth to rebound from the muted levels of 2025, supported by improving balance-sheet growth, especially across our Africa regions.

Together, these actions will widen operating JAWS and drive our cost-to-income ratio down towards 50% by 2028.

Capital remains a clear strength. We expect our CET1 ratio to be maintained at the top end of our target range over the medium term, enabling us to generate meaningfully higher economic profit over time.

I will now open the call to questions.