1H26 pre-close update

Kenny Fihla – Chief Executive

Good morning and thank you for joining us for Absa's pre-close call for the first half of 2026.

I will make a few introductory comments on where we are as a group, the momentum we see in our customer franchise, and the operating environment. Thereafter Deon will share our financial guidance, after which we will field your questions.

Firstly, 2026 is a critical transition year for Absa. Our new operating model is in place and we will report three Pan African business units for the first time, as well as on a South Africa and Africa Regions basis.

We have made significant progress on key appointments, with leadership of all the business units in place. These new leaders will need time to refine their strategies, build out their teams, and execute against their plans. I have great confidence in the calibre of these senior appointments, which set us up well to accelerate momentum over the medium- to long-term.

Secondly, our business fundamentals are strong, with encouraging customer trends and a healthy pipeline across the franchise.

In the first 5 months, our Corporate and Investment Banking client revenue grew by high single digits year-on-year, with strong growth in Investment Banking and Global Markets in particular. Transactional Banking's client growth will take longer to build, but we have started to see some large wins, which is encouraging and will provide momentum into next year.

In Personal and Private Banking South Africa we continue to grow active transactional customers, particularly in the Affluent and the Private & Wealth segments. Further growth in digitally active customers and Rewards demonstrates deepening relationships across our base. PPB Africa Regions growth in active transactional customers remains solid, with substantial growth in digitally active customers.

In Business Banking South Africa the customer base grew and its balance sheet momentum improved, with high single digit growth in customer loans and deposits. Business Banking Africa Regions continued to grow active transactional customers, supported by strong growth in digitally active customers.

Lastly, our operating environment remains challenging and uncertain. As you know, the Middle East conflict increased global inflation expectations and dampened global growth. As a result, we have reduced our GDP growth expectations slightly in our largest countries, namely South Africa, Ghana and Kenya. In South Africa, the SARB increased the policy rate in May, whereas we previously expected further rate cuts. Conversely, the policy rate in Ghana has reduced materially and is lower than we expected, creating a near-term drag, although it should stimulate growth over time.

In summary, 2026 is a transition year for us, although we are seeing positive growth in our client franchise despite some short-term rate headwinds.

Thank you, I will now hand over to Deon.

Deon Raju – Financial Director

Thanks Kenny and good morning everyone.

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

Starting with our guidance for the first half of 2026, my commentary refers to the percent year-on-year change in our financial results versus the first half of 2025.

Revenue is expected to grow by low to mid-single digits, with non-interest income growing faster than net interest income.

Net interest income remains muted, growing by low single digits, reflecting margin compression largely due to lower policy rates in Africa Regions. Net customer loans and customer deposits are expected to grow by mid-single digits. PPB net customer loans are expected to grow by mid-single digits. In PPB South Africa, solid Vehicle and Asset Finance growth should offset modest growth in Home Loans and unsecured lending. Business Banking and CIB net customer loans are expected to grow by high-single digits, the latter excluding reverse repos.

We expect mid-single digit growth in non-interest income. Within this, growth in fee and commission income and in insurance in South Africa is expected to be solid, while trading growth moderated after a strong first quarter.

Operating expenses is expected to grow by low to mid-single digits, resulting in slightly negative JAWS and a slightly higher cost-to-income ratio, with low single digit pre-provision profit growth. As previously mentioned, our investment in talent continues to be funded by productivity gains realised. In addition, we have also been able to offset higher fraud losses, and some cost to achieve in Africa Regions.

We expect broadly flat credit impairments and an improved credit loss ratio. We expect slightly lower PPB credit impairments, driven by a better delinquency performance, partly offset by the deteriorating macroeconomic forecast. We expect Business Banking and CIB credit impairments to increase, the latter off a low base.

Consequently, headline earnings are expected to grow by mid- to high single digits for the first half of 2026, resulting in a similar RoE to the 14.8% in the first half of 2025.

We expect our Group CET 1 ratio to finish the first half of 2026 slightly above the top end of our Board target range of 11.0% to 12.5%, and we plan to maintain a dividend payout ratio of around 55% for the first half.

As Kenny mentioned, we will report all three of our business units on a Pan-African basis.

At a divisional level, we expect broadly flat CIB headline earnings, with solid growth from Investment Banking and Global Markets, and lower earnings from Transactional Banking.

PPB is expected to report low double digit headline earnings growth, in part due to lower credit impairments.

We expect modest Business Banking headline earnings growth, with solid growth in SA while Africa Regions is lower given margin compression.

Lastly, we expect a smaller Head Office loss due to a better ALM performance in Treasury South Africa, strong cost management and productivity gains.

The stronger Rand will reduce Group revenue, costs and headline earnings slightly. We expect strong headline earnings growth in South Africa, given solid pre-provision profit growth and a lower credit loss ratio. Conversely, we expect Africa Regions headline earnings to decline due to lower net interest income and higher credit impairments.

Turning to full year guidance, given the elevated geopolitical and macroeconomic uncertainty, we will provide detailed guidance when we report our interim results on 18 August.

We expect to achieve a full year RoE of around 15%, which is lower than previously guided. The reduction is mostly due to weaker net interest income than we originally anticipated given margin compression in Africa Regions.

However, we are confident that revenue and earnings momentum remain on track in the medium-term, given healthy growth in our client franchise and NIM stabilisation post the rate cutting cycle, particularly in Africa regions.

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

Q&A

Charles Russell (SBG Securities) – Good morning, Alan, Kenny, Deon, thanks very much for the time. Just one question from my side. I wanted to just drill in on the NII line item. Basically, reconciling March guidance to where you are now on loan growth and NIM compression. It seems that there's quite a big deviation in three months and that's obviously quite a large miss.

Ross Krige (Investec) – Good morning, everyone. Thanks, Alan. Yeah, sorry, Charles has sort of covered the theme. If I can maybe just drill down into that a bit and ask, you specifically called out Africa Regions in Ghana. So just wondering how much did the policy rate trajectory differ from your expectations and second question related to that, what were the other key regions or countries that contributed to that lower-than-expected NIM? And then just on loan and deposit growth, the mid-single digit expectations for 1H. Obviously tracking below full year guidance. So just wondering, is that sort of in line? I know you are working on your guidance still, or has that also been weaker than expected? Thanks.

Deon Raju – Maybe I should deal with those because they're linked. So I think one of the main items is NIM compression, as you've called out. We had lower rates in our forecast, Kenya, Zambia, as well as Ghana. I think the big one is Ghana. We had significant cuts in 1Q26. And it's a large liability base that we sit with there. It's a R40bn liability base. About R20bn of that is unhedged because the market's illiquid. It's difficult to hedge the full component. So that's a 12% rate drop YoY. We had anticipated a rate drop of about 6%, so it was more severe than we expected. So Charles and Ross, about R300m per 200bps of cuts in Ghana. You get to fairly large NII numbers, given the size of rate cuts that we've had in Ghana. So, Ghana was unexpected, but YoY, it's Ghana, Kenya, Zambia.

Harry Botha (BofA) – Thanks very much. My questions on net interest income are covered, but can you possibly elaborate on the solid growth that's coming through in the South African fee and insurance income, maybe how material the step up is compared to December? And also, just if you could elaborate on the higher earnings growth that's coming through in the Business Bank in South Africa, please.

Baron Nkomo (JPMorgan) – Hi, good morning, guys. My question is around the longer-term RoE target of 16-19%. Given the clearly challenging macro, how comfortable are you with that target range? Does this result or the near-term outlook change? How do you think about the target. Thanks.

Deon Raju – Harry, on fee and commission income, I think you would have seen here, our SA performance is strong. You know, we've got good top line growth, positive JAWS, solid pre-provision profit and lower credit impairments. So, SA is looking quite positive. I think if you look at fee and commission income, it’s particularly better in Business Banking South Africa, retail South Africa. You know, they build up momentum slowly. So, you can see some momentum building up there. Around Business Banking South Africa, we've seen lower impairments and reasonable revenue growth compared to what we saw last year. So, Business Banking South Africa is quite pleasing to see.

Baron, in terms of medium-term, maybe a couple of comments. First of all, we are convinced 16-19% is the right medium-term target range for us. We have new leaders in seat, as Kenny mentioned. They are developing strategy, execution plans and targets for their business units. And we'll present that at the investor day in the fourth quarter, together with bottom-up detail around KVDs etc. And I think this gives us good grounding of the business units’ medium-term plans and the drivers of the group RoE.

So, we remain confident that 16-19% is the right range for the Group. I think we've got to allow our business leaders the time to develop the bottom-up detail, which we'll share at the fourth quarter investor day.

Charles Russell (SBG Securities) – I just wanted to press in on that loan growth question from earlier. That also seems to be lower than your initial expectations, if you could kind of break that down, how the disappointment has unfolded, whether that's SA or Africa.

Deon Raju – Charles, underlying, if you look at what we've said in our guidance around the wholesale parts of our business, better than mid-single digits. Retail SA, lower than that. We do see that improving into 2H26. If you look at more near-term, month-on-month, lead indicators and pipeline, we certainly see better strength come through into 2H26. So, it is true for the first half with mid-single digits, slightly lower than our full year guidance on this, but we will probably guide in more detail in August. But we've seen better performance and pipelines overall.

Kabelo Moshesha (Mazi Asset Management) – Yeah, thanks, Kenny. Thanks, Deon, for the opportunity. Two questions on my side. On the back of Charles' question, it just seems your

CIB growth is lagging peers in this half. Just a bit of colour around, were there deals that were moved out or is it just overall weakness? Or perhaps a harder impact from the more cautious approach from your corporates, or your side of the business due to the Iran-US war. And then secondly, on costs, in line, I guess, overlaid by the slower momentum on revenue growth, but then strategically, understandably so, all the hires that were made. Just your thoughts around, how does that shape the near-term emergence of revenue, given the headwind – potentially or seen – on the play out between that those two in the near-term and sort of the impact on your cadence of getting towards your medium term 16-19% RoE guidance.

Deon Raju – I'll make a few comments on those and Kenny, you can add if you'd like. So, CIB, we've guided that Global Markets and Investment Banking growth is solid. Transactional Banking is down. It's similar to trends that we saw in 2H25. And this is a business that takes a bit of time to turn the momentum around. Within Transactional Banking, lower NII in Africa Regions, particularly Ghana. But a number of those markets I mentioned, they have a big liability base and therefore, the interest rates affect them as well as Business Bank Africa Regions. Last year, the team would have called out some pressure on interest rates due to client repricing. We're required to maintain the primary relationship and that was mainly in South Africa. More recently, we've seen some good client wins and pipeline. But onboarding these clients and monetizing that takes a bit of time. So, I think the more medium-term prognosis looks a bit better. But short-term, what we saw in 2H25 is flowing through to this year. So Transactional Banking is the main issue in CIB. I would say Global Markets had a very strong first quarter. It moderated in the second quarter. Some of those opportunities saw good client flow and growth in client revenues within Global Markets. But the ability to monetize these like last year wasn't there. And last year there was significant growth in 1H25, Alan, I think it was 29% up. So, the base was fairly high. So still good growth in Global Markets off a high base, but it moderated a little bit in 2Q26.

Then my comment on costs, Kabelo, we are very focused on costs. The investments we have to make in leadership talent is required for the medium-term, and those cannot be delayed. And we are very focused to deliver sustainable performance in the medium-term. At the same time, we are seeing opportunities in the short-term to take out discretionary costs, as well as manage our strategic investments very carefully in the current environment. And then in the medium-term, we are making good progress in building out our structural cost program, where we think we have opportunity to take out absolute costs medium-term to support our 16-19% target. We'll provide those details at the investor day.

Kenny Filha – Yes, if I may add the following. The appointments that have been made are aimed at doing the following. Firstly, strengthening the bench strength, particularly in our three business lines. You will see that these appointments have been concentrated, in the main, in building proper leadership depth across the three business units. The leaders are now in their seats, even though there are some people who will only be joining us in July and August. So, we haven't really seen the full impact of the appointments that have been made. And in any event, even those who are in their seats, the longest is Zain who started in January.

Sitoyo only started in March or April and Leon only started just over a month ago. And so we are encouraged, by the calibre of the people that we have appointed. We are under no illusions that they will need a couple of months to assemble their own teams, review the strategies that are already in place. And where there's a need for intervention and strengthening of the plans that ought to be executed, they will have to do so. This is why we're describing this year as a transition year, in that we're changing parts of the engine whilst the plane is in flight. And I think we have landed very good calibre of people who will help us drive the culture change, increase the focus on clients, and ultimately ensure that we are able to deliver on our medium-term plans.

Ross Krige (Investec) – Hi, I'm sorry, thanks. On the RoE guidance for 1H26 and FY26, just wondering about the denominator effect there. So previously, you've called out the change in other reserves and the impact that's had. Just wondering if there's any detail you could add on that?

Alan Hartdegen – Okay, shall we take another one too? Yes, Harry, go ahead.

Harry Botha (BofA) – Thank you. Just to follow up on the points around the new hires, I just wanted to get a sense if you're starting to see any impact from the new hires in CIB in terms of revenue generation? And I'd also like to get a sense whether you see, given the current lending growth momentum and revenue momentum, scope to deliver positive operating leverage in 2027?

Deon Raju – Ross, around the denominator effect, we've not seen the same impact on reserves as last year. So, if you look at growth on reserves, it's far more normalized. You know, we did call out capital above the top end of our range. So, in the second half, NAV is something we'll continue to look at in terms of capital allocation and where we can see returns and opportunities. What I would say around new hires in CIB, some have landed, but like Kenny said, there's still quite a few to land in July when they actually start. Maybe you want to comment on that?

Kenny Filha – Yes. On that question, are we seeing any signs of tailwinds? Absolutely. And we made reference to some of the early wins that we've had. And these are large, I mean trying to make deals, mainly in our Transactional Banking business. But, by definition, Transactional Banking takes time to onboard the clients, just given the logistics and the IT work that needs to be done to integrate into their own systems and so on. And we're fairly confident that it should be completed by the end of 3Q this year. So, we'll start to see the actual revenue impact in sort of 4Q this year and definitely get the full year benefit in 2027. The nature of the engagement with clients, even from an investment banking point of view, and the quality of how we're structuring deals, and some of the advisory mandates that are starting to come through, is a reflection of the step up that we have done in the calibre of people that we have in our CIB business. So, the momentum is there, the green shoots are there. It’s a question really of just going through the time lag before we start to see the revenue impact. And so that revenue impact will definitely be seen in 2027. We are also building capability that we didn't have at all, i.e. our capability to do structured deals that involve both the skillset in our lending business, as well as in Global Markets, with the view of accelerating distribution and so on. That skillset was underdeveloped and we've brought in people who are bringing it back. And we'll start to see deals of that nature coming through as we go closer to 4Q.

Deon Raju – Harry, around positive operating jaws, I think what we'll see now, given that revenue performance that we've seen in 1H, kind of flat to slightly negative is more the direction for this year. Look, 2H26 remains uncertain, you know, in terms of macroeconomic outlook. Like Kenny said, particularly in CIB, while some people have started, others are still serving notice and a lot of these individuals land big event trades, you know. So those types of things are less easy to see, in terms of how they'll manifest on the top line. So we are a bit cautious around the full year outlook, given that there is some macroeconomic uncertainty. We also need to see people land and actually start to deliver and execute, given notice periods and the like. So, we'd rather be cautious at this point. So I think flat JAWS to slightly negative, but you know, there is some event revenue that could turn that.

James Starke (RMB Morgan Stanley) – Good morning, Kenny, Deon, Alan, thanks for the opportunity. Just on the forward-looking information applied under IFRS 9, have you used any different macro variables from what was applied with your FY25 results? So we can just get a sense of what it compares in the five-month period. Thank you.

Deon Raju – James, this has been changing monthly since March. So, I would say these models take time to run etc. We applied May macro forecasts, which were significantly more negative. If you look at particularly the down scenario, relative to what we saw at the end of last year. I did call out impairments flat, but within that we have built model-related provisions as a result of that deteriorating macro. What I would say is that it was much bigger at the end of May. We moderated it a little bit, given the developments that we've seen now in June, but we've still got a net build as a consequence.

Jarred Houston (Allweather) – Thanks Alan and thanks guys for the call. Just a little bit linked to James's question. In the guidance where you kind of break up the result per region, you speak about Africa Regions earnings declining due to the lower NII, which has been discussed ad nauseam, but you also cite higher credit impairments. You just talk about the credit impairments piece dragging rest of Africa lower. Is that specific to certain regions, certain kind of specific isolated credit losses in CIB or is it kind of central provisions? If you just break out some detail on that impairment. The piece in Africa, please.

Deon Raju – Yeah, Jarred, I would say that there's nothing abnormal there. We had a very low base, including recoveries last year, if you look at Business Bank, even in CIB. So it's more base effects rather than normalisation or than any big standout.

Alan Hartdegen – I don't see any more hands, but there is a question in the chat from Adam who asks: “when can we expect to see a decrease in your cost-to-income ratio?”

Kenny Fihla - Yeah, look, it's a key focus for us, Adam. We expected this year to see the first signs of that. I think we are seeing some of that pressure on the top line. Our cost growth plans are well on track for this year. So, you know, it's more top line. Clearly, our 16-19%

target requires positive JAWS. So, this is a key focus for us, both the revenue line as well as cost takeout.

The full benefits of all the structural cost initiatives that are underway will only come through in the subsequent years, starting in 2027. And there are quite a number of initiatives, including some cost take out. And that comes with additional expenditure this year, unfortunately. We are comfortable though, that despite the fact that there are all sorts of changes taking place within the organization with new hires, that we're still able to maintain very, very tight cost discipline, as reflected by our cost growth. They offer a sort of low single digit figure for this year. But the actual benefit of these additional initiatives will only flow in the subsequent year.

Jarred Houston (Allweather) – Maybe just one more from me. You spoke earlier about being confident in the medium-term guidance and based on operational metrics that you're seeing and gains. Is it fair to say given the challenging environment and rates environment being slightly different than you expected, the definition of what is term-term and how long it will take to get there, has slightly changed, or is that not a fair assumption?

Deon Raju – Yes, Jarred, if you look at medium-term, Africa Region's rate cycle should have bottomed by this year. Now, who knows? But we've seen significant rate cuts already. Ghana's come from 28% down to around 13%, 14%. So, we've seen the big moves happen. We should see it bottom out and wash out. This is where we have our biggest interest rate sensitivity in Africa Regions. So, on the basis that it washes out, it's mainly in our base for this year. That sets a good base to build on again into the medium-term. So, short-term we've got to let that wash out. But medium-term, it should be supportive in terms of growth from here.

Asanda Notshe (Mazi Asset Management) – Hi, good morning. Thanks for the time. So to the extent that the macro persists as what we've seen, you know growth as well as inflation and so on, would you say that the 16-19% target is either under threat or remains intact as far as guidance is concerned? Even with a deteriorating or less than favourable macro. I'm trying to get a sense of to what extent you think that guidance is reliant on a favourable macro environment outside of what you're going to be doing internally? Thanks.

Kenny Fihla – We're not changing our sort of medium-term guideline, and we had a time horizon to that. We're also not shifting the time horizon.

Let me take a step back and reflect on the net interest income headwinds in Africa Regions. We have a very high concentration in Ghana and Kenya. If you look at our Africa Regions business, those two geographies are overweight, which is why we've been talking about the need for us to accelerate the diversification of our business. Because if one major accident happened in one of them, we feel it at a Group level. And that's exactly the sort of impact lower NII in Africa Regions has demonstrated, that we are absolutely correct in wanting to accelerate the diversification of our business.

And secondly, that NII is lower than what we expected is driven largely by deposit NII. And I think Deon has made that point because it is the deposit interest income that is susceptible to massive rate decreases. We gather all of these surplus liabilities and we have to deploy them. We deploy them either to the asset side of the book, or we deploy them to government bonds or paper. And a significant decline in the interest rate environment in Ghana has meant, therefore, that our earnings, that relates to the deployment of our surplus liquidity to government paper is significantly less than what we thought it would be. So whilst the macros, yes, have some headwinds, if one looks at the detail and the underlying residue as to why we have effectively had this lower NII than we'd expected, it relates in the main to Ghana. And reduction in interest rates in Ghana in particular, given the size of Ghana relative to the rest of our portfolio.

Charles Russell (SBG Securities) – Thanks. Just a follow up on this rates story in Ghana, and sorry to belabour it, but the rates in Ghana haven't changed since the 18th of March. They've been at 14% since that, and over the course of this year so far, only reduced by 1,5% from 15,5% at the beginning of the year to 14% on 18th of March. And it's been flat since then. I think the question is, how has this caught you off guard? Because the rates were known last time we spoke.

Deon Raju – Yes, Charles, you're right. We had a big rate cut in January and a big rate cut in March. The effect of that is going to wash out this year as we see the full year impact. We also called out a very strong trading performance in 1Q. So, you do have swings and roundabouts in the bigger business. And the performance of the business up to 1Q was strong and in 2Q things have moderated.

Alan Hartdegen – There are no more hands, but there's a question from Kabelo in the chat: "Apart from Sola, who assumes his duties in July, how many new hires are yet to land in the CIB business and what is their expertise?"

Kenny Fihla – Well Giles will be taking over our Investment Banking and will start in July and will bring unbelievable investment banking expertise coming from Rothschilds. The head of Transactional Banking sales, which is a business that is currently underperforming, will also start in July, and that will strengthen the sales capacity and the rebuild of that sales team and Transactional Banking. We've got two other sector heads who will be reinforcing our client coverage team. Again, you can see that all these investments are aimed at strengthening the client-facing side of the business, and in particular, our ability to originate deals and make sure that they are closed with a sense of urgency. So, we have quite a few joining, but are fairly confident that as we bring people on board, we are also in some instances exiting people whom we think are not appropriate. But naturally with these sorts of things, we tend to focus more on the new investments that we are making, as opposed to some of the changes and the exits that we have to undertake in order to create space for the new entrants.

Alan Hartdegen – Okay, there are no more questions. Thanks everyone for your time this morning. If you do have any more questions, please drop me an e-mail. Thanks for joining us.