Absa 1H26 speaker notes

Kenny Fihla – Chief Executive

Good morning. On behalf of Absa's leadership team, thank you for joining us for our 2026 interim results presentation.

I will begin briefly reflecting on our strategy and why we are still confident about the future before moving onto our first half performance and the progress we are making against our strategic priorities. Deon will then take you through the detailed financial results, after which I will conclude with our medium-term outlook.

Unlocking the full potential of the franchise through focused execution

As I reflect on Absa today, I remain convinced that the opportunities ahead of us are significant and that we are focused on the right priorities.

Our strategy remains anchored on four pillars: organising ourselves around the customer and being customer-led; capturing opportunities across our chosen markets to build a diversified pan-African business; driving excellence throughout the organisation; and exploring new growth opportunities. These pillars can only be enabled by our people, combining deep talent and strong leadership to build a culture of empowerment and competitive spirit.

As mentioned in March, 2026 is a year of transition for Absa. We are focused on sustaining performance momentum today, while strengthening the foundations that will enable more consistent growth and improved returns longer term.

A key part of that foundation has been to deepen leadership and build a stable, high-calibre executive team. Over recent years, leadership changes have inevitably caused some disruption and reduced the benefits that should come from our scale, talent and capabilities. Strengthening our leadership depth, accountability and execution was therefore one of my first priorities as Group CEO.

I am pleased to report that this work is now largely complete. More importantly, we are already seeing the benefits. Across the organisation there is greater alignment, clearer accountability and a stronger focus on execution. While there is still work to do, the early signs give me confidence that we are building the leadership platform required to unlock the full potential of this franchise.

Let me turn to the operating environment and our first half performance.

Our chosen markets remained resilient despite global uncertainty

Our chosen markets remained resilient during the first half, despite energy disruptions and higher prices, as well as uncertainty arising from the Middle East conflict.

Government-driven reforms, interest rate reductions, and demand for commodities are also expected to support steady economic growth going forward. This is particularly clear in the GDP outlook across our Africa Regions markets, which are expected to grow at 5% in 2026 and 5.6% in 2027.

In South Africa, strong momentum at the start of the year gave way to a more difficult second quarter as inflationary pressures re-emerged and confidence softened. However, while growth is still modest, the economy continues to show signs of resilience.

Solid 1H26 performance, with 8% earnings growth and RoE improving to 15%

Our business produced a solid set of results for the first half. Headline earnings grew by 8% to R12.8 billion, with revenue increasing by 4% to R58.8 billion. Return on equity improved to 15.0%, while we maintained a strong capital position with a CET1 ratio of 12.8%. We also continued to deliver value to shareholders through an 8% higher interim dividend per share and a 5% increase in NAV per share.

The most significant drag on our results was the pace of interest rate cuts across some of our key markets. Although lower rates were expected and factored into our plans, the speed and magnitude of the reductions, particularly in Ghana , had a pronounced effect on deposit margins, resulting in net interest income growth of 3% despite continued balance sheet expansion.

Notwithstanding this, the underlying health of the franchise remained strong. Non-interest income increased by 6%, customer loans grew by 6%, and customer deposits increased by 5%, reflecting healthy client business.

Strong client franchise momentum, with South Africa and key businesses delivering encouraging growth

Looking across the portfolio, I am encouraged by the quality of the underlying franchise and the impetus we continue to see across many parts of the Group. South Africa was the standout contributor during the period, growing earnings 17%.

Personal and Private Banking was a highlight of the period, delivering a strong performance with earnings increasing by 12% and returns improving to 15.2%. Momentum was evident across the franchise, with South Africa delivering earnings growth of 10% and Africa Regions 23%. The result was supported by strong customer activity, double-digit growth in digital engagement, continued growth in digital revenues and improved insurance income in South Africa.

Business Banking delivered a credible performance, continuing its recovery with earnings growth of 5% and an improved RoE of 24.6%. South Africa was a key contributor, delivering 10% earnings growth, while Africa Regions contracted by 18%. Despite short-term margin pressure, the business delivered good balance sheet growth.

Corporate and Investment Banking, which accounts for approximately half of our earnings, delivered modest earnings growth. However, the strength of the franchise and the quality of the client relationships remain intact. South Africa delivered 8% income growth and 13% higher earnings because of strong origination across our prioritised client sectors. In Africa Regions, lower interest rates weighed on earnings, but underlying client activity remained positive and supported loan growth.

Taken together, these results reinforce our confidence in both the strength and potential of the franchise. We continue to see sustained origination across South Africa and Africa Regions, providing a sturdy foundation from which to deliver future growth.

Client-led growth: The client franchise is starting to respond which further builds our conviction

Let me delve deeper into the progress made in executing our strategy thus far.

Firstly, we continue to grow our customer base and made satisfactory progress in expanding the number of active retail and business banking customers across our regions to more than 12 million. Customer growth is further supported by deeper engagement. Customers are interacting with us more frequently through digital channels and increasingly choosing Absa for a broader set of their financial needs. These are important leading indicators, as the depth of the relationship translates into more business activity with our clients.

We are also hearing from clients that there is a different sense of energy in how we show up. Clients are recognising greater responsiveness, a stronger bias for action, and quicker turnaround times.

While there is still significant work ahead, these trends give us confidence. Growing customer numbers, deeper engagement, stronger client relationships and increasing demand for our solutions all suggest that the underlying franchise is responding positively to the strategic choices we have made. They are important proof points that customer-led growth is becoming embedded across the group.

Diversified Pan-African business: Broadening sources of earnings and growth is critical to building a more sustainable franchise

Diversification is a vital component of our strategy because it is fundamental to building a more sustainable and resilient franchise over time.

While this slide shows some movement in our mix, some of the changes you see reflect slower growth in parts of the franchise that have historically been our largest contributors, rather than a step change in growth elsewhere.

We believe that our Pan-African footprint, our business lines and strong client franchise provide us with the foundation to accelerate this shift. While progress will not be linear, building a more balanced and diversified earnings profile is still a key strategic priority for us.

Drive Excellence: Disciplined cost management is creating capacity to invest in our strategic priorities

Let me turn to our third strategic pillar, driving excellence.

Cost discipline remains an important part of how we manage the group. In the first half, we kept cost growth below inflation, reflecting a more deliberate approach to how we allocate resources across the business. This is not simply about controlling costs. It is about ensuring that every Rand we spend is directed towards areas that strengthen our competitive position and support long-term growth.

At the same time, we continue to make the right investments for the future. These include strengthening leadership, deepening frontline revenue-generating capabilities, and building specialist skills that enhance our ability to serve customers and clients. We also continue to invest in technology, data, AI and digital capabilities, which are important drivers of productivity, client experience and growth over time.

Equally important is our focus on removing costs that no longer create value. We are simplifying processes, reducing unnecessary complexity, rationalising infrastructure, and challenging discretionary expenditure. An example of this is the optimisation of our branch network. Since June 2025, we have increased the number of sales and service outlets from 122 to 215 as we shift away from traditional full-service branches and reshape our footprint to better align with customer needs.

In doing so, we are freeing up resources that can be reinvested in growth, customer experience and other strategic priorities.

New growth opportunities: We are extending our reach, enhancing our relevance and creating value beyond traditional banking products

We recognise that clients increasingly expect integrated experiences rather than standalone banking products. Whether through strategic partnerships, ecosystem participation or new service offerings, our objective is to create additional value for customers while improving their overall experience with Absa. The partnerships highlighted on this slide are examples of how we are extending our reach, enhancing our relevance, attracting new customers and creating value beyond traditional banking products.

At the same time, we are aligning our franchise to capture value across key corridors driving trade, investment and capital flows into and across the continent.

We are also strengthening key propositions, including Wealth, by expanding our capabilities in Mozambique and Kenya, and establishing a Mauritius Wealth Hub as a gateway for offshore and cross-border client needs. Together, this enables us to connect clients, deepen relationships and capture a greater share of Africa's long-term growth potential

These are just a few examples of the actions underway across the group to strengthen our competitive position and capture a greater share of Africa's long-term growth opportunity.

Culture: Culture a key foundational enabler of our transformation and growth

Before I hand over to Deon, let me conclude by touching on culture, which I believe is one of the most important enablers of our long-term success.

Building the right culture across the organisation is a priority. Strategy does not execute itself, and sustained performance depends on people. Creating an organisation with the right mindset, behaviours and accountability is critical to unlocking the full potential of this franchise.

The culture we are building is centred around a few simple shifts: becoming more customer obsessed, more outcomes-focused and more committed to excellence in everything we do. We want a culture where people take ownership, move with urgency, work together effectively and remain focused on delivering value for our clients.

This starts with leadership. As I mentioned earlier, we have taken deliberate steps to deepen leadership across the organisation, ensuring that they are visible, accessible and connected to colleagues across the business. People should feel the impact of leadership through greater clarity, stronger accountability, faster decision-making and a clearer sense of direction.

We are also fostering stronger collaboration and teamwork across the group. The ambition is to bridge silos, bring teams closer and create a more connected organisation. At the same time, we are empowering frontline colleagues with the authority, tools and support they need to serve customers more effectively and respond faster to opportunities.

Change takes time, but we are committed to building a winning culture that will strengthen execution, unlock the full potential of our people and become a lasting source of competitive advantage for Absa.

With that, I will hand over to Deon to take you through our detailed financial performance.

Deon Raju – Financial Director

Thanks Kenny and good morning everyone.

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

Solid earnings growth improved RoE slightly

Our earnings grew 8% to almost R13bn, maintaining the same growth rate as the second half of last year.

Consequently, our RoE continued to improve, rising slightly to 15% to exceed our cost of equity of 14.9% for the period.

Pre-provision profit growth and credit charge underpin earnings growth

Turning to the income statement drivers, 4% pre-provision profit growth and slightly lower credit impairments drove earnings.

Net interest income grew 3%, reflecting 6% higher average interest-bearing assets and some margin compression.

Non-interest income rose 6%, taking overall revenue to R59bn, up 4%.

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

Credit impairments decreased 1%, due to a lower charge in PPB.

The stronger Rand during the period reduced revenue and costs by 2%, and earnings by 1%.

Our diluted HEPS grew 7% and we declared an 8% higher interim dividend per share of 850 cents.

Lastly, our NAV increased 5% to R210 a share.

Strong South Africa earnings growth outweighs lower Africa Regions

Our South African business performed well again, with earnings growing 17%. Improved 8% revenue growth was supported by some margin expansion and growth in client revenues across the business units. Costs were well managed to deliver 4% positive JAWS and 12% higher pre-provision profits. All our SA businesses grew earnings by low double digits while the net ALM position improved noticeably. Our SA earnings have grown almost 40% in the past two years and South Africa's RoE improved to 15.9%.

Conversely, Africa Regions revenue and earnings declined in the first half, reflecting the current concentration in Ghana and Kenya. Lower policy rates in these key markets, combined with the stronger Rand, saw revenue decline 3%, resulting in substantially negative operating JAWS and 10% lower earnings. The underlying franchise continues to build momentum with 12% growth in retail customers to 3m and solid constant currency non-interest income growth across PPB and BB.

Lower policy rates a material drag on net interest margin

Our net interest margin narrowed 12 basis points to 446 basis points, predominantly due to endowment margin compression in Africa regions. Our margin was slightly lower than the second half of 2025.

Customer loans added 6 basis points to the margin, on improved margins in PPB unsecured lending, partly offset by higher growth and lower margins in CIB South Africa.

Customer deposits reduced the overall margin by 19 basis points, of which the deposit endowment impact was 11 basis points. The equity endowment was a 6 basis point drag overall.

In South Africa the structural hedge released a benefit of R348m, contributing 8 basis points to the margin.

Stable SA margin given structural hedge

Our net interest margin remained stable in South Africa as the structural hedge offset the endowment impact, while Africa Regions margin declined by 47 basis points mainly due to the endowment impact of lower rates.

Although our Africa Regions balance sheet is considerably smaller, at just 19% of our total customer deposits and equity, it is more sensitive to falling rates, and accounts for almost 60% of our interest rate sensitivity.

Balance sheet continues to grow

Turning to our balance sheet, loans to customers continued to grow. The stronger Rand was a 9% drag on Africa Regions assets YoY, or 1% on group assets.

Net customer loans grew 6%, with South Africa up 7%, while Africa Regions rose 5% or 14% in constant currency.

Customer deposits grew 5%, with South Africa up 6% while Africa Regions was flat, albeit up 8% in constant currency.

Solid CIB and BB customer loan growth as PPB remains modest

Unpacking net customer loans, CIB grew 9% led by growth in Resource and Project Finance (including Renewables), Real Estate Finance and increased demand for working capital facilities in Transactional Banking.

Growth in PPB remains moderate, with Home Loans up 2% and vehicle finance rising 11% in SA.

Business Banking grew 9%, with growth broad-based by geography and product.

Our loan growth improved in the first half, with 8% annualised growth.

Moderate non-interest income growth

Non-interest income grew 6% off a relatively strong base, particularly in Global Markets.

Net fee and commission income growth remained low, increasing 3%, although it still accounts for nearly two-thirds of the total. Within this, fee and commission income grew 5%, with transactional fees and commissions also increasing 5%.

Net trading income excluding the impact of hedge accounting increased 4% off a very large base, with Global Markets SA up 8% and Global Markets AR declining 1%. Client franchise revenue grew 18%, while market making declined slightly as key markets reduced.

In aggregate, net insurance income increased 8%, reflecting growth in Insurance SA, as Africa Regions dropped 70%, largely due to selling three entities in the first half of 2025.

Operating expenses growth remained well contained

Operating expenses grew 4%, resulting in slightly negative operating JAWS and a 53.4% cost-to-income ratio.

Staff costs increased 6%, including 4% higher salaries.

Non-staff costs growth was contained to 3%. We are more disciplined in our investment, expensing more and capitalizing less, resulting in higher technology costs and pro fees, which offset lower amortisation and depreciation combined. Total IT spend, including staff, amortisation and depreciation, increased 7% and accounted for 28% of overall expenses, as we continue to invest in digital, data and cyber capabilities.

Marketing declined 9%, as we refocussed our marketing spend to higher impact areas. Property decreased 2% as continued optimisation of our property portfolio offset investment in retail branches.

Lastly, the remaining operating costs rose 10%, given 11% higher equipment costs and increased depositor insurance in Africa Regions.

Our productivity programme remains on track, delivering almost R800m of gross `benefits in the first half, taking the cumulative benefits to R4.4bn. These came from optimizing back office and channels, technology infrastructure and corporate property. This was largely reinvested in digital, data and cyber capabilities.

Credit loss ratio continued to improve into target range …

Moving to asset quality, our credit impairments declined 1%, further improving our credit loss ratio to 94 basis points. Thus, it moved back into our annual through the cycle target range.

… due to lower PPB credit loss ratio, with CIB and BB flat

Unpacking credit impairments, the largest, PPB declined 1%, further improving its credit loss ratio, despite building further macroeconomic coverage.

Within this, Unsecured Lending improved, driven by Card. Personal Loans credit impairments grew 5%, reflecting weaker forward-looking macroeconomic assumptions and Home Loans credit impairments increased 8%, mainly due to building macroeconomic coverage and continued pressure in the legal book. Vehicle and Asset Finance credit impairments increased 4%, given stronger production, partly offset by improved collections and stricter new business selection. Overall underlying pre-delinquency trends are improving across PPB.

Business Banking credit impairments grew 5%, producing a flat credit loss ratio YoY. Business Banking SA decreased 3%, while Africa Regions increased materially off a low base that included once-off recoveries.

CIB credit impairments grew 16%, resulting in a flat credit loss ratio, due to higher performing book charges, partially offset by lower stage 3 charges particularly in South Africa, although they remain below their through-the-cycle range of 20-30 basis points.

Stage 1 coverage was flat while stage 2 declined. Stage 3 coverage decreased due to writing off highly covered single names in CIB SA, together with model enhancements and improved portfolio performance in PPB African Regions. Consequently, total coverage declined to 3.6%.

Non-performing loans decreased 5%, improving to 5.3% of gross loans and advances, with NPLs lower across all business units.

All businesses grew earnings

Moving onto our businesses, all grew earnings.

The largest, CIB grew 1%, while PPB and Business Banking rose 12% and 5% respectively.

The loss in our Head Office more than halved, given a strong ALM performance in South Africa and lower costs.

CIB earnings growth slower

After several years of strong growth, CIB's earnings growth slowed given low pre-provision profit growth and higher impairments.

As a result, its RoE declined slightly to 19%. Nonetheless, it still generated 47% of our earnings.

CIB benefits from diversification, with SA offsetting lower AR earnings

Once again, CIB benefited noticeably from its business line and geographic diversification.

Investment Banking earnings grew 8%, on solid loan book growth and good fee income. Global Markets earnings rose 9%, driven by strong client revenues and largely flat market making. These offset 13% lower Transactional Banking earnings, due to competitive pricing in South Africa and lower rates in Africa regions. We have taken steps to strengthen the franchise which will improve client acquisition and leverage our strong transactional banking capability.

Geographically, CIB SA earnings grew 13% driven by non-interest income growth of 14%, with all business units delivering double digit earnings growth.

By contrast, CIB AR earnings fell 12%, due to 3% lower revenue given declining rates and muted Global Markets.

Some positive signs of traction in PPB

We reported PPB as a single Pan-Africa business for the first time. Its earnings increased 12%, with double digit growth in both SA and Africa Regions. SA revenue growth recovered to 5% reflecting margin expansion, while largely flat Jaws supported 4% higher pre-provision profits. Credit impairments improved due to more selective credit origination over the past 2 years supporting early delinquency constructs and improving NPLs resulting in 1% lower credit impairments.

Thus, RoE improved to 15% and we see scope to increase it materially medium-term.

Broad-based growth in banking earnings across PPB

All of PPB's banking businesses grew earnings.

Transactions and Deposits increased 5%, in line with revenue growth. Revenue growth was supported by improved deposit margins while continued client growth and improved digital revenues offset declines in cash and higher Rewards costs. We continue to focus on opportunities to accelerate fee income growth.

Unsecured Lending is recovering, with stronger pre-provision profit growth on the back of improved margins and lower impairments.

Home Loans earnings grew 2% in a competitive market, with new loan production of 13%.

Vehicle and Asset Finance rose 22%, on 10% pre-provision profit growth, due to good loan production largely in line with market and improved credit impairments due to more targeted risk selection.

Insurance SA headline earnings declined 2%, while revenue growth was up 6%.

Africa Regions Banking earnings grew 14%, or 26% in constant currency, largely due to continued momentum in customer acquisition with non-interest income up 8%. In addition, credit impairments were 18% lower given improving macros and prior year base effects.

Improved Business Banking performance

We also showed Business Banking as a Pan-Africa business for the first time. Its earnings grew 5% on the back of 2% higher pre-provision profit, as non-interest income rose 7% driven by increased client activity and higher lending fees, partially offset by lower payments revenue.

Importantly, its RoE improved to 25%, although we also see scope to improve it materially over the medium-term.

Solid BB SA earnings growth partially offset by lower BB AR

Business Banking South Africa's performance improved, with earnings up 10% given 6% higher pre-provision profit and 3% lower credit impairments. Consequently, its RoE increased to 26%.

As a liability-rich business, Business Banking Africa Region's net interest income declined 4% due to lower policy rates, offsetting solid double-digit growth in non-interest income and solid loan growth. Combined with higher credit impairments, its earnings fell noticeably,

CET1 ratio remains above our target range

Turning to capital, we remain well capitalized. Our CET1 ratio improved to 12.8%, above the top end of our 11% to 12.5% target range and well above regulatory requirements.

We remain capital generative, as profits added 1% to our CET1 ratio during the half. Importantly, improving our RoE further medium-term will increase our capital generation.

Risk-weighted asset consumption reduced our CET1 by 0.5%, which was partially offset by RWA optimization that added 24 basis points.

Group RWAs grew 3%, below 6% asset growth, partially due to this RWA optimization.

Lastly, paying our final 2025 dividend decreased our CET1 by 0.6% during the period.

FY26 guidance

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

The outlook for the global economy remains uncertain, as events in the Middle East remain volatile. Moreover, there is evidence of a very large El Niño weather event from late 2026 and into 2027 that could bring extreme drought or rain to many parts of the world, with potential knock-on effects on global food prices.

We have trimmed our baseline real GDP growth for South Africa to 1.5% and we expect policy rates to remain unchanged into early 2027. The outlook for our presence economies in Africa Regions remains constructive and we project real GDP growth of 5%, given ongoing infrastructure investment, multilateral support and ongoing reforms. Downside risks pertaining to the fallout from Middle East crisis remain significant, along with potential adverse weather conditions. We further expect to be close to the bottom of the rate-cutting cycle in many key markets.

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

We expect low- to mid-single digit revenue growth.

We expect high single digit growth in customer loans and mid- to high single digit growth in customer deposits.

Our credit loss ratio is expected to be broadly similar to last year and in the middle of our target range.

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

Consequently, we expect an RoE of around 15%.

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

Thanks for your attention, I'll hand you back to Kenny.

Kenny Fihla – Chief Executive

Thanks Deon.

Our medium-term targets remain unchanged

We remain convinced of the underlying strengths of our business and the significant opportunities ahead of us. Our medium-term targets therefore remain unchanged, and we look forward to providing more detail on how we intend to deliver against them at our investor day in November.

With the leadership team now largely in place and aligned behind a common strategy, we will provide further detail on our business unit strategies and the actions we are taking to deliver growth and improve returns over the medium term.

Our first half progress gives us confidence that we are strengthening the franchise, sustaining momentum and positioning Absa for long-term growth

I am encouraged by the progress we are making. Our results show encouraging momentum and further evidence that our client franchise is responding positively to the strategic choices we are making.

At the same time, we are focused on building a stronger and more sustainable business. We continue to invest in leadership, talent and technology, embed a culture of excellence and unlock new opportunities for growth across our markets.

Absa remains an established Pan-African franchise with significant scale, deep client relationships and attractive opportunities.

While there is still work to do, our first half progress gives us confidence that we are strengthening the franchise, building momentum and positioning Absa to deliver improved medium-term growth and returns.

We will now take your questions.