



# Absa Bank Botswana Limited

Condensed results of the audited consolidated financial statements  
For the year ended 31 December 2021

Profit before tax

↑ 81%

Loans and advances to customers

↑ 7%

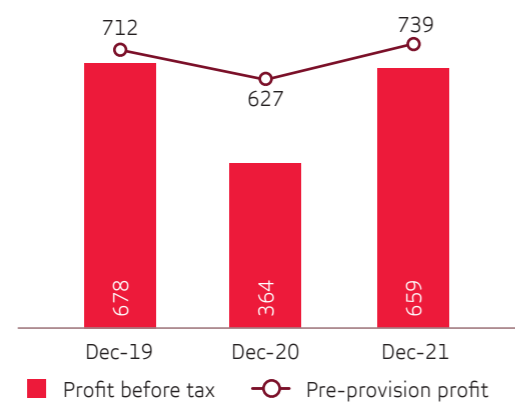
Operating expenses

↓ 4%

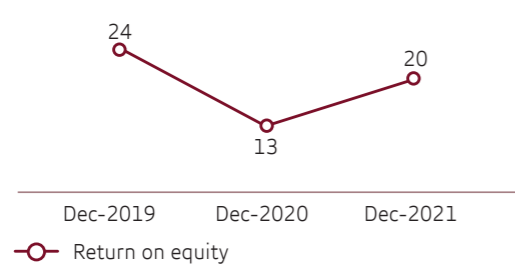
Deposits to customers

↑ 3%

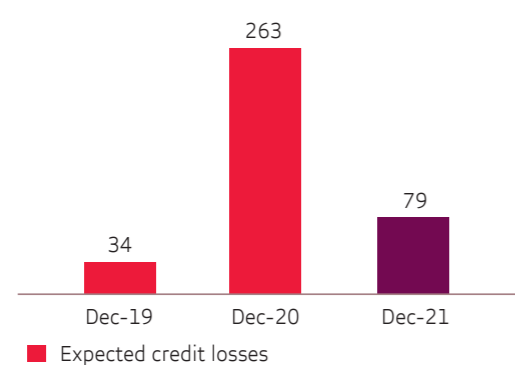
Profits (P'million)



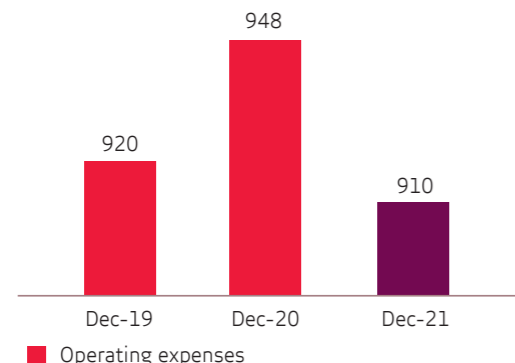
Return on equity (%)



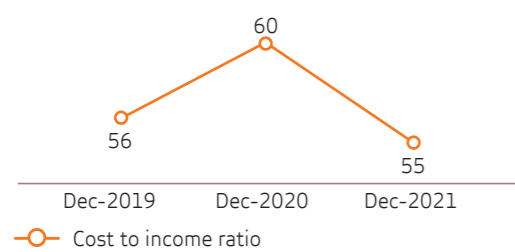
Expected credit losses (P'million)



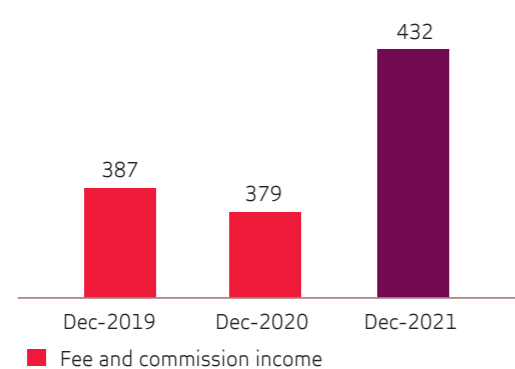
Operating expenses (P'million)



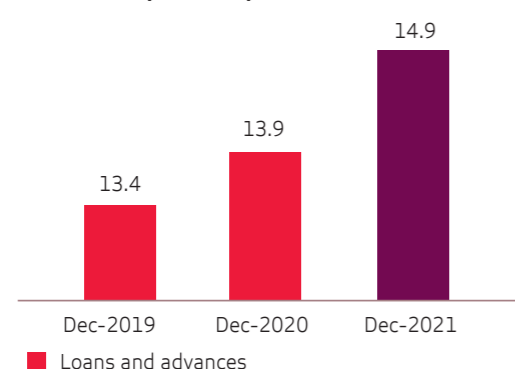
Cost to income ratio (%)



Fee and commission income (P'million)



Loans and advances (P'billion)



## Economic outlook

### Global outlook

The International Monetary Fund (IMF) projects that global economic growth will decelerate from 5.9% in 2021 to 4.4% in 2022 before softening further to 3.8% in 2023. There are several downside risks to global growth including the possibility of new COVID-19 variants that would lead to a reimposition of related restrictions, elevated inflation, the rising geopolitical risks and financial stress driven by record-high debt levels. Inflationary pressures continue to rise globally driven by base effects higher commodity prices and supply-chain disruptions.

### Sub-Saharan Africa

According to IMF projections sub-Saharan Africa is set to grow by 3.7% in 2022 lower than the 4% growth in 2021. Favorable base effects, accommodative

policies, a stronger global backdrop that supported higher commodity prices and multilateral support have been key drivers behind the continent's 2021 growth trajectory. In 2022 we expect infrastructure investments, full reopening of economies, digitalization, the Africa Continental Free Trade Agreement and higher commodity prices to support sub-Saharan Africa economies. Headwinds to Africa's outlook include poor vaccination rates across the region, tighter global financial conditions, volatile weather conditions, high inflation rates, elevated debt burdens and fiscal consolidation.

### Domestic economy

The economy recovered by 8.6% in the twelve months to September 2021 compared to a contraction of 7.3% in the year to September 2020. The higher growth rate was driven by base effects from a substantial contraction in 2020 and a recovery across most sectors of the economy.

## Condensed consolidated statement of comprehensive income

For the year ended 31 December 2021

	Year ended 31 Dec 2021 P'000	Year ended 31 Dec 2020 P'000	% Change
Effective interest income	1 370 771	1 342 663	2
Effective interest expense	(322 367)	(287 660)	12
<b>Net interest income</b>	<b>1 048 404</b>	<b>1 055 003</b>	(1)
Fee and commission income	538 367	488 543	10
Fee and commission expense	(106 196)	(109 999)	(3)
<b>Net fee and commission income</b>	<b>432 171</b>	<b>378 544</b>	14
Net trading and investing income	164 513	138 630	19
Other income	4 113	3 412	21
<b>Total income</b>	<b>1 649 201</b>	<b>1 575 589</b>	5
Expected credit losses/ Impairment losses	(79 475)	(263 235)	(70)
<b>Net operation income</b>	<b>1 569 726</b>	<b>1 312 354</b>	20
Staff costs	(445 966)	(479 573)	(7)
Infrastructure costs	(142 618)	(128 926)	11
Administration and general expenses	(321 835)	(339 912)	(5)
<b>Operating expenses</b>	<b>(910 419)</b>	<b>(948 411)</b>	(4)
<b>Profit before tax</b>	<b>659 307</b>	<b>363 943</b>	81
Taxation	(156 715)	(67 197)	133
<b>Profit for the period</b>	<b>502 592</b>	<b>296 746</b>	69
<b>Other comprehensive income (OCI)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
<b>Movement in financial assets at fair value through OCI</b>			
Fair value losses arising during the year	(15 315)	(15 546)	(1)
Deferred tax	2 762	3 420	(19)
	(12 553)	(12 126)	4
<b>Total other comprehensive income for the year net of tax</b>	<b>(12 553)</b>	<b>(12 126)</b>	4
<b>Total comprehensive income for the period net of tax</b>	<b>490 039</b>	<b>284 620</b>	72
<b>Earnings per share</b>			
<b>Basic and diluted (thebe per share)</b>	<b>58.98</b>	<b>34.82</b>	69
<b>Headline earnings per share</b>			
<b>Basic and diluted (thebe per share)</b>	<b>58.98</b>	<b>34.82</b>	69

## Condensed consolidated statement of financial position

As at 31 December 2021

	Year ended 31 Dec 2021 P'000	Year ended 31 Dec 2020 P'000	% Change
<b>Assets</b>			
Cash	640 880	645 784	(1)
Balances at the Central Bank	515 501	775 787	(34)
Trading portfolio assets	84 361	212 332	(60)
Derivative financial instruments	27 981	48 430	(42)
Financial assets at fair value through OCI	1 968 408	2 042 225	(4)
Loans and advances to banks	1 183 600	1 010 533	17
Due from related companies	1 698 453	1 404 496	21
Loans and advances to customers	14 924 321	13 904 310	7
Other receivables	121 345	152 775	(21)
Property plant and equipment	246 141	252 083	(2)
Intangible assets	2 273	2 717	(16)
Deferred tax assets	107 787	110 635	(3)
Current tax asset	-	5 762	(100)
<b>Total assets</b>	<b>21 521 051</b>	<b>20 567 869</b>	5
<b>Equity and liabilities</b>			
<b>Liabilities</b>			
Deposits from banks	793 730	553 623	43
Due to related companies	317 530	350 958	(10)
Customer deposits	16 399 553	15 903 147	3
Derivative financial instruments	43 151	42 396	2
Other payables	409 509	375 858	9
Provisions	32 128	37 828	(15)
Current tax payable	21 523	-	-
Debt securities in issue	341 078	394 192	(13)
Subordinated debt	593 443	574 476	3
<b>Total liabilities</b>	<b>18 951 645</b>	<b>18 232 478</b>	4
<b>Shareholders' equity</b>			
Stated capital	17 108	17 108	-
General risk reserves	133 842	118 347	13
Fair value reserves	(22 306)	(9 753)	129
Share-based payment reserve	3 629	1 120	224
Share capital reserve	2 060	2 060	-
Retained income	2 435 073	2 206 509	10
<b>Total equity attributable to equity holders</b>	<b>2 569 406</b>	<b>2 335 391</b>	10
<b>Total equity and liabilities</b>	<b>21 521 051</b>	<b>20 567 869</b>	5

## Condensed consolidated statement of changes in equity

for the year ended 31 December 2021

	Stated capital P'000	General risk reserve P'000	FVOCI investment revaluation reserve P'000	Share-based payment reserve P'000	Retained earnings P'000	Share capital reserve P'000	Total equity attributable to shareholders P'000
Balance at 1 January 2020	17 108	118 347	2 373	3 323	2 079 455	2 060	2 222 666
Profit for the year	-	-	-	-	296 746	-	296 746
Other comprehensive loss for the year	-	-	(12 126)	-	-	-	(12 126)
<b>Total comprehensive income for the period</b>	-	-	(12 126)	-	296 746	-	284 620
Dividends paid	-	-	-	-	(213 040)	-	(213 040)
Recognition of share based payments	-	-	-	(2 203)	-	-	(2 203)
Transfers from/(to) retained earnings	-	-	-	-	43 348	-	43 348
Total transactions with owners	-	-	-	(2 203)	(169 692)	-	(171 895)
Balance at 31 December 2020	17 108	118 347	(9 753)	1 120	2 206 509	2 060	2 335 391
<b>Balance at 01 January 2021</b>	<b>17 108</b>	<b>118 347</b>	<b>(9 753)</b>	<b>1 120</b>	<b>2 206 509</b>	<b>2 060</b>	<b>2 335 391</b>
Profit for the year	-	-	-	-	502 592	-	502 592
Other comprehensive income	-	-	(12 553)	-	-	-	(12 553)
<b>Total comprehensive income</b>	-	-	<b>(12 553)</b>	-	<b>502 592</b>	-	<b>490 039</b>
Payment of dividends	-	-	-	-	(258 533)	-	(258 533)
Recognition of share based payments	-	-	-	2 509	-	-	2 509
Transfers from/(to) retained earnings	-	15 495	-	-	(15 495)	-	-
<b>Total transactions with owners</b>	-	<b>15 495</b>	-	<b>2 509</b>	<b>(274 028)</b>	-	<b>(256 024)</b>
<b>Balance at 31 December 2021</b>	<b>17 108</b>	<b>133 842</b>	<b>(22 306)</b>	<b>3 629</b>	<b>2 435 073</b>	<b>2 060</b>	<b>2 569 406</b>



# Absa Bank Botswana Limited

## Condensed results of the audited consolidated financial statements For the year ended 31 December 2021

The easing of COVID-19 containment measures allowed economic activity to resume boosting business sentiment and improved economic activity including resumption of global trade in diamonds. Mining sector expanded by 15.6% in the year to September 2021 compared to a contraction of 22.2% in the year to September 2020. The construction sector growth was driven by the implementation of major infrastructural projects that had been delayed because of COVID-19 related containment measures. Non-mining GDP grew by 6.9% in the year to September 2021.

### Inflation and monetary policy

Inflation increased significantly from an average of 1.9% in 2020 to 6.7% in 2021. Headline inflation breached the upper bound of the Central Bank's 3 - 6% target range since May 2021 reaching a 10-year high of 8.9% year on year in July 2021 and remained above 8% for rest the year. The rise in inflation was underpinned by modest recovery in domestic demand resulting from the easing of COVID-19 containment measures and upward changes in administered prices and levies/taxes. Despite inflation being above the target

range since May 2021 the Monetary Policy Committee (MPC) maintained the bank rate flat at 3.75% due to the need to support economic recovery and its belief that the upward pressures were cost-push transitory factors that do not require policy tightening.

### Financial performance

We note with optimism a steady recovery in both the local and global market as economies begin to slowly recover from impact of COVID-19. Some economies are re-opening and we expect to see this transition to full opening of economies in the next coming years. We anticipate that key sectors such as mining and tourism will continue to make headway which will ultimately lead to recovery of our local economy.

The operating environment continues to be very challenging given the significant impact COVID-19 has had on both operations and humanity as a whole. We are

encouraged by the continued momentum of our business and its operational resilience which has culminated in recovery of our financial performance.

We continue with our strategy to put our people and customers first when it comes to safety and protection against COVID-19 and its impact as well as build on operational capabilities to ensure we are flexible and innovative enough to meet the demands of the ever changing economic and socio landscape.

### Statement of comprehensive income

Although we are still in the recovery journey our response strategy as a bank has yielded a pleasing set of financial results for the year under review signaling the recovery of both our financial performance and business environment. Our digital strategy portfolio management strategies revenue diversification strategies together with operational efficiencies strategy have all contributed positively to our financial performance. To this end we saw a material recovery in our profitability by 81% compared to 2020. This translates to full year profit of P659 million.

## Condensed consolidated statement of cash flows

For the year ended 31 Dec 2021

	31 Dec 2021 P'000	31 Dec 2020 P'000
<b>Cash flows from operating activities</b>		
Cash used in operations	(249 304)	(535 463)
Net increase in loans and advances to customers	(1 027 621)	(697 781)
Interest received	1 331 084	1 287 801
Interest paid	(316 216)	(283 280)
Income taxes paid net of refunds	(123 820)	(115 472)
Increase in deposits due to customers	497 631	1 522 860
Increase in amounts due from related parties	(139 593)	(33 552)
Increase in long term deposits to other banks	240 107	250 651
Net increase/ (decrease) in long term loans due to related parties	41 500	(180 306)
Decrease in statutory reserve with the Central Bank	60 986	388 496
(Increase)/decrease in derivative financial instruments	(25 209)	3 050
<b>Net cash generated from operating activities</b>	<b>289 545</b>	<b>1 607 004</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(23 295)	(69 502)
Proceeds from disposal of trading portfolio assets	591 870	497 400
Purchase of trading portfolio assets	(463 465)	(710 232)
Proceeds from disposal of property, plant and equipment	298	48
Payments for intangible assets	-	(2 552)
Increase/ (decrease) in long term investment securities held at FVOCI	(197 567)	(606 432)
<b>Net cash used in investing activities</b>	<b>(92 159)</b>	<b>(891 270)</b>
<b>Cash flows from financing activities</b>		
Dividends paid to shareholders	(258 533)	(169 693)
Issuance of debt securities	167 087	131 000
Redemption of debt securities	(220 201)	(88 000)
Proceeds from subordinated debt	-	215 660
Payment of lease liabilities	(32 583)	(28 211)
<b>Net cash (used in)/generated in financing activities</b>	<b>(344 230)</b>	<b>60 756</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(146 844)</b>	<b>776 490</b>
Cash and cash equivalents at the beginning of the year	4 592 116	3 815 626
<b>Cash and cash equivalents at the end of the year</b>	<b>4 445 272</b>	<b>4 592 116</b>

## Segment performance

For the year ended 31 Dec 2021

	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Barclays Plc transitional costs P'000	Consolidated P'000
<b>Statement of comprehensive income</b>				
Net interest income	800 681	247 723	-	1 048 404
Net fee and commission income	390 432	41 739	-	432 171
Net trading and other income	38 596	130 030	-	168 626
<b>Total income</b>	<b>1 229 709</b>	<b>419 492</b>	<b>-</b>	<b>1 649 201</b>
Expected credit losses	(99 247)	19 772	-	(79 475)
<b>Net operating income</b>	<b>1 130 462</b>	<b>439 264</b>	<b>-</b>	<b>1 569 726</b>
Operating expenses	(715 319)	(195 100)	-	(910 419)
<b>Profit before tax</b>	<b>415 143</b>	<b>244 164</b>	<b>-</b>	<b>659 307</b>
Taxation	(102 999)	(53 716)	-	(156 715)
<b>Profit for the year</b>	<b>312 144</b>	<b>190 448</b>	<b>-</b>	<b>502 592</b>

	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Other P'000	Consolidated P'000
<b>Statement of financial position</b>				
<b>Assets</b>				
Derivative financial instruments	-	27 981	-	27 981
Fair value through OCI	1 968 408	-	-	1 968 408
Loans and advances to customers	11 057 642	3 866 679	-	14 924 321
Trading portfolio assets	-	84 361	-	84 361
Other assets	-	-	4 515 980	4 515 980
<b>Total</b>	<b>13 026 050</b>	<b>3 979 021</b>	<b>4 515 980</b>	<b>21 521 051</b>
<b>Liabilities</b>				
Customer deposits	10 113 522	6 286 031	-	16 399 553
Derivative financial instruments	-	43 151	-	43 151
Debt securities in issue	341 078	-	-	341 078
Subordinated debt	593 443	-	-	593 443
Other liabilities	-	-	1 574 420	1 574 420
<b>Total</b>	<b>11 048 043</b>	<b>6 329 182</b>	<b>1 574 420</b>	<b>18 951 645</b>

## Segment performance

For the year ended 31 Dec 2020

	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Barclays Plc transitional costs P'000	Consolidated P'000
<b>Statement of comprehensive income</b>				
Net interest income	801 054	253 949	-	1 055 003
Net fee and commission income	337 889	40 655	-	378 544
Net trading and other income	28 405	113 637	-	142 042
<b>Total income</b>	<b>1 167 348</b>	<b>408 241</b>	<b>-</b>	<b>1 575 589</b>
Expected credit losses	(220 718)	(42 517)	-	(263 235)
<b>Net operating income</b>	<b>946 630</b>	<b>365 724</b>	<b>-</b>	<b>1 312 354</b>
Operating expenses	(728 032)	(136 456)	(83 923)	(948 411)
<b>Profit before tax</b>	<b>218 598</b>	<b>229 268</b>	<b>(83 923)</b>	<b>363 943</b>
Taxation	(60 278)	(25 382)	18 463	(67 197)
<b>Profit for the year</b>	<b>158 320</b>	<b>203 886</b>	<b>(65 460)</b>	<b>296 746</b>

	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Other P'000	Consolidated P'000
<b>Statement of financial position</b>				
<b>Assets</b>				
Derivative financial instruments	-	48 430	-	48 430
Financial assets held at fair value through OCI	2 042 225	-	-	2 042 225
Loans and advances to customers	10 098 810	3 805 500	-	13 904 310
Trading portfolio assets	-	212 332	-	212 332
Other assets	-	-	4 360 572	4 360 572
<b>Total assets</b>	<b>12 141 035</b>	<b>4 066 262</b>	<b>4 360 572</b>	<b>20 567 869</b>
<b>Liabilities</b>				
Customer deposits	9 079 250	6 823 897	-	15 903 147
Derivative financial instruments	-	42 396	-	42 396
Debt securities in issue	394 192	-	-	394 192
Subordinated debt	574 476	-	-	574 476
Other liabilities	-	-	1 318 267	1 318 267
<b>Total liabilities</b>	<b>10 047 918</b>	<b>6 866 293</b>	<b>1 318 267</b>	<b>18 232 478</b>

## Notes to the condensed consolidated financial statements

for the year ended 31 December 2021

### Accounting policies

#### 1. Reporting entity and basis of accounting

Absa Bank Botswana (the "Bank") is a public company listed on the Botswana Stock Exchange and domiciled in Botswana. The annual financial statements of the Group for the year ended 31 December 2021 comprise the company and its wholly owned subsidiaries Absa Insurance Services (Pty) Ltd and Absa Securities Botswana (Pty) Ltd (together referred to as "the Group"). Absa Insurance Services (Pty) Ltd (private limited company) is an insurance agent which earns its fees from referral of life and non-life insurance products. Absa Securities Botswana (Pty) Ltd is an entity licensed by the Non-Bank Financial Institutions Regulatory Authority to conduct securities activities that include investment advisory and market maker activities. Absa Bank Botswana Limited ("the Bank") offers a range of retail business corporate and investment and wealth management solutions.

The Group's condensed consolidated annual financial results have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards ("IFRS") interpretations issued by the IFRS Interpretations Committee ("IFRS-IC") Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the Botswana Stock Exchange Listings Requirement. They do not include all the information required for a complete set of annual financial statements. However selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in the Group's financial position and performance since the last annual financial statements. The accounting policies are the same as the last financial statements and there has not been any significant changes except for where the Group has adopted all of the new and revised standards and interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for consolidated reporting periods beginning on 1 January 2021.

These annual financial statements were authorised for issue by the Company's Board of Directors on 22 March 2022.

#### 2. Use of judgements and estimates

In preparing these annual financial statements management has made judgements estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets and liabilities income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements for the year ended 31 December 2021.

#### 3. Profit before income tax

Profitability for the year has been significantly impacted by the recovery in our impairments as well as improved performance of transactional volumes as a result of economic recovery as COVID-19 restrictions were eased.

#### 4. Contingent liabilities and commitments

There has been no significant change in the nature of contingent liabilities and commitments with off-balance sheet risk from those reported in the annual financial statements for the year ended 31 December 2021.

	31-Dec-21 P'000	31-Dec-20 P'000
Undrawn commitments to customers	2 644 870	2 209 233
Letters of credit	19 489	31 999
Guarantees	310 786	210 043
	<b>2 975 145</b>	<b>2 451 275</b>
Expected credit losses	(7 258)	(12 598)
<b>Total contingent liabilities</b>	<b>2 967 887</b>	<b>2 438 677</b>

#### 5. Capital commitments

At 31 December 2021 the commitments for capital expenditure authorised and contracted for amounted to P27 million (31 December 2020: P3 million) and there were no commitments for capital expenditure authorised but not yet contracted for.

#### 6. Related party transactions

There has been no significant change in the nature of related party transactions from those reported in the annual financial statements for the year ended 31 December 2021.

#### 7. Independent auditors report

Our independent auditors Ernst & Young have audited the annual financial statements of Absa Bank Botswana Limited and their auditor's report on the annual financial statements is available for inspection at the Bank's registered office.

5th Floor Building 4 Prime Plaza  
Plot 74358 Central Business District  
Gaborone

#### 8. Events occurring after reporting date

A final dividend amounting to P236 million (full year dividend P319 million) was declared on 22 March 2022 subject to regulatory approval.

There has been no changes in the estimates and judgment applied to determine the financial position at 31 December 2021. These have been included as part of the accounting policies of the Group. The estimates applied most specifically as they relate to the calculation of impairment of loans and advances were based on a range of forecast economic conditions as at that date.

The directors are not aware of any other events (as defined per IAS 10 events after the Reporting Period) after the reporting date of 31 December 2021 and the date of authorization of these condensed consolidated financial results.



# Absa Bank Botswana Limited

## Condensed results of the audited consolidated financial statements For the year ended 31 December 2021

On aggregate our total revenue grew by 5% year on year primarily out of the momentum in our non-funded income which grew double digit on account of recovery of economic activities in 2021.

Our strategic intent to drive fee income has paid off as noted on our net fee and commission income growing by 14%. This growth was propelled by digital drive and adoption coupled with the momentum on transaction volumes during the year under review. Fee and commission expense reduced by 3% year on year in line with pricing/recovery strategies and a resultant benefit in foreign exchange movements.

Net Interest income continues to be subdued during this reporting period. Although we have enjoyed healthy balance sheet growth in our Retail and Business Banking (RBB) segment net interest margins remained squeezed owing to the policy rate cuts in 2020 and thin market liquidity which pushed up cost of funding by 12% compared to previous period. Gross interest income grew 2% year on year and net interest income contracted by 1% over the same period.

Expected credit losses experienced a material improvement of 70% as compared to prior year this is owing to the prudent approach that we took in 2020 in response to significant stresses we forecasted due to impacts of COVID-19. This strategy provided sound base cover from a credit loss perspective and has benefited the 2021 performance significantly. The support we had accorded to our customers in 2020 with credit relief and payment moratoriums gave them much needed relief during a very difficult and challenging time. We remain proud of this initiative as it did not only provide much needed relief but also formed a solid base for economic recovery. During the year under review performance of expected credit losses was also enhanced by the stability of our portfolio performance, pro-active risk management, collection strategies and an improvement in macro-economic variables which are a significant contributor to our impairment modelling process.

As a business operational efficiency remains a key strategic objective to achieve an improving and stable cost to income ratio. For the period under review our operational costs remained well contained with an overall total reduction of 4% year on year. This consequently has improved our cost to income ratio to 55% as opposed to 60% in the previous period. The reduction was as a result of strong cost containment strategies coupled with reduction in separation costs and the absence of once off costs relating to staff voluntary separation exercise incurred in the prior year. Over and above the separation spend our underlying operational costs remained well controlled in light of both optimization and cost avoidance strategies which we have deployed.

### Statement of financial position

Our balance sheet remains solid and on an upward trajectory. With a total financial position of P21 billion we have grown by 5% and maintained the structural composition intact year on year with adequate capital levels to support future growth.

Customer loans and advances grew by 7% year on year mainly driven by growth opportunities in our RBB segment. The P496 million increase in deposit was as a result of our active client acquisition and penetration strategies which enabled us to bank the needs of our customers and grow our deposit base. The overall market liquidity remains quite subdued due to competing needs for funding across different sectors.

We closed the year with strong capital and liquidity levels. Our regulatory capital position stood at P3 billion representing a ratio of 18% against the current regulatory limit of 12.5% and liquid asset ratio closed at 15% well above the regulatory minimum of 10%.

The economic outlook remains challenged given the significance of the recovery that still needs to occur but the macro-economic outlook remains promising given the forecasted recovery in GDP and other macro-economic factors locally and globally. We forge ahead cautiously with optimism as we continue to navigate the effects of the COVID-19 pandemic and the world builds a new normal post this. Our key focus will continue to be delivering value to our customers and enabling them to reach their possibilities by providing right banking solutions as we also continue to shape our entity into one that is resilient efficient and relevant for our times.

### Corporate and Investment Banking (CIB)

2021 brought with it some semblance of recovery in key sectors like mining. We saw the economic activities spin back to pre-COVID-19 days especially in the diamond sector. CIB is a key contributor to the diamond sector and this presented us with an opportunity to review our appetite which ultimately contributed positively to our trade business.

We also saw the resuscitation of the property sector evidenced by several key infrastructure projects across the country. We remain encouraged by these recovery indicators as they will be beneficial in the future.

A notable strain was evident in market liquidity with deposits constrained as Public Sector spending budgets reduced and fiscal policy adjustments were made to accommodate the economic impact of COVID-19. This led to tighter liquidity and margin compression in our market. We undertook deliberate efforts to attract the right deposits through our various strategies that delivered healthy growth in our deposit base. We must hasten to state that the slowdown in most economic activity gave us the opportunity to embed our digital agenda with a view of ensuring we provide sustainable future-fit solutions. This bolstered our growth on client acquisition propelled us to deepen relationships with existing clients and deliver double digit growth in our fee income earning us notable recognition as 'Market Leader Cash Management' awarded by Euromoney Awards of Excellence 2021 and 'Best Investment Bank of the year' awarded by African Banker Awards 2021.

We supported our clients to extend credit relief measures during very tough economic conditions a measure we deemed critical in ensuring the sustainability of businesses. This intervention resulted in strong recovery by businesses resulting in positive impairment which recovered in excess of 140% year on year.

Going forward our focus will be centered on supporting our customers rebuild their businesses and subsequently support economic growth. This will be achieved through providing balance sheet optimization and fostering the Public and Private Sector Partnerships (PPPs) to support government economic agenda for the delivery of key infrastructure projects. We will continue with strategic partnerships to enhance our customer value proposition and remain competitive.

### Retail and Business Banking

Retail and Business Banking have turned up resilient in delivering its strategy despite the challenging times we are currently experiencing.

#### Retail Banking

In the year 2021 we remained customer centric through our spirit of Africanacity – helping our customers get things done. This was underpinned by our focus on digitalisation and transactional primacy ultimately diversifying revenue streams for the Bank and improving customer experience.

We have displayed solid assets (advances) year on year growth of 9%. Overall revenue grew by 10% year on year largely driven by non-interest income growth of 6% whilst net-interest income grew 7% year on year.

We continued our journey of growth and putting our customer needs at the centre of what we do. At the back of this we launched several propositions and product enhancements like

- Spark By Absa Botswana which is our digital wallet to drive financial inclusion
- QR cash withdrawals on ATMs which allows customer to draw cash without using a card
- Absa Merchant portal which is a one – stop- shop providing merchants with transactional volumes sales turnover and other data insights to better understand their business performance
- Forex debit cards for United State of America's Dollar (USD) and South African Rand (ZAR) accounts
- Family Banking where our customers can now enjoy world class banking as a family
- Multiple rewards and discount propositions for our customers to enjoy at various retail outlets
- Botshelo Life Cover offering both term assurance and whole of life plans and lastly
- 105% home loan financing making home ownership easier for our customers.

Through these we have seen a 5% year on year growth in customer numbers. This is a true reflection of Africanacity – helping our customers get things done.

The availability of self-service and alternative banking channels have led to a 21% year on year growth in the number of customers utilizing our digital platforms. We continue to enhance these channels to create seamless customer experience. We partnered with Mascom Botswana to allow our customers free access to the Absa Botswana App and will be extending this partnership to other mobile network providers.

Looking ahead our focus will be on creating new customer relationships and deepening existing ones. We aim towards driving financial inclusion by creating financial linkages between the unbanked and the banked communities through the Spark By Absa Botswana digital wallet. We believe that digitalization is a key cornerstone for banking going forward and therefore have a clear focus on growing our self-service capability which remains imperative and an area of focus. Our colleagues remain integral to the service that we offer clients and how we embody Africanacity in the way we serve our valued clients and are a critical cog as we evolve ourselves to become more digitally led. We look forward to delivering even better service to our clients with a commitment to continue to innovate and find solutions that make us the leading transactional bank in the market.

#### Business Banking

Business Banking has remained resilient despite the COVID-19 challenges and displayed growth in assets liabilities revenue contribution and profitability. Our business strategy focus is on driving Agriculture Enterprise Supply Chain Development (ESD) program and the Commercial Assets finance (CAF) through major water projects construction and mining. We have also driven capacity building through the ESD Business Club where 973 enterprises have been trained in partnership with Botswana Unified Revenue Services (BURS) Local Enterprise Authority (LEA) and independent business services providers such as Collective Value Chain Creation and Tokafala. We also signed several Memorandum of Understanding with various organisations and companies to enable Small and Medium Enterprises (SMEs) to access their supplier value chain.

In our effort to promote the digital channels we have on boarded a significant number of our customers on the Business Internet banking platform. Business Banking will continue to drive its momentum to assist SMEs to access funding and capacitate them to manage their businesses. We will also drive the usage of digital channels improve the ease of doing business and supporting our client base to grow and contribute positively to the economy. Agriculture Asset Finance and ESD program remains our critical focus areas to grow the Business Banking portfolio. Our focus will remain largely around creating new customer relationships and deepening existing ones by creating enhancing and delivering products which offer value for money to our customers. The need to diversify revenue streams as a result of improved customer experience is critical and a priority.

#### Citizenship

Absa Bank Botswana remains confident in the interventions that it has developed to address the continued social and economic development of the communities in which we operate. We have made significant progress in delivering our citizenship strategy which is anchored on Thought Leadership Education and Skills development and Environmental Sustainability.

We launched our inaugural Hackathon and Incubation Program which mobilised youth innovators connected them with existing clients from our Business Banking portfolio so they can appreciate their major challenges and provide them with a platform to create innovative solutions. Over a period of 8 weeks the teams attended weekly learning sessions with industry experts including Companies and Intellectual Property Authority (CIPA) The Local Enterprise Authority (LEA) and Botswana Communications Regulatory Authority (BOCRA) and attended an entrepreneurship boot camp with The NeoHub.

Our digital learning platform ReadytoWork remains relevant and continues to make an important contribution to the education of young people. In 2021 ReadytoWork was utilised to train the youth in partnership with the USAID funded DREAMS program where youth and adolescents learn critical life skills to enable them to become economically active. We launched the Absa Youth Hub an online platform dedicated to building capacity as well as upskill the vulnerable youth group aged between 18 -25. The Youth Hub is being implemented in partnership with a youth owned entity iBranch Recruiters and utilises the ReadytoWork and connect participants with human resource practitioners/recruiters.

F.G. Mogae Scholarship Fund is one of our key Citizenship programs where we provide scholarships to deserving young Batswana who require financial assistance to pursue their masters. We have supported over 75 Batswana to date with the latest intake taking place in 2021 with a focus on Science Technology Engineering and Mathematics.

Absa Bank Botswana has continued with its Women in Business Webinars which seek to educate and inspire women who are running their own businesses and those who aspire to become entrepreneurs.

Our Colleague volunteering program remains an integral part of our Citizenship Agenda. We continue to encourage our colleagues to play an active role in building communities by providing small grants matched funding and time off work to share their skills. Our major campaign in 2021 was our tree planting campaign where we seek to conserve our environment and contribute to solving the issue of climate change.

In an effort to continue to address the negative impact of the COVID-19 pandemic Absa Bank Botswana donated masks to pupils of the Hukuntsi Sub District and water tanks to communities across Botswana.

#### Looking ahead

Absa projects Botswana's real GDP growth to soften from 12.5% in 2021 to 5.2% in 2022 as activity levels out following an initial rebound. Growth in 2022 will be underpinned by the recovery in key sectors such as mining as the effects of the pandemic recede and commodity prices rebound. The rise in diamond output will continue to be driven by additional investment in productive capacity and increased international demand for luxury goods caused by the continuing economic recovery in developed markets. The non-mining sectors are also expected to improve supported by accommodative monetary conditions implementation of business environment reforms and government interventions against COVID-19 including the Economic Recovery and Transformation Plan (ERTP).

Upside risks to the inflation outlook remain elevated in 2022. The rise in commodity prices particularly fuel and food prices remain a key threat to Botswana's inflation outlook in 2022. The country's monetary policy will undergo a major overhaul as the Central Bank has revealed plans to make operational changes in order to improve the effectiveness of the transmission mechanism and its ability to influence monetary conditions.

The effects of COVID-19 continues to have an impact on the business performance. The rollout of COVID-19 vaccines in Botswana and it's key source markets will be fundamental to the economy's sustained recovery. Absa will continue to support the communities that we operate in their journey to recover from the pandemic. We will also continue to prioritise our customers and employees safety by providing the necessary support and enhancement and expansion of our self-service channels.

We continue to focus on our strategy on being a digitally powered bank with a renewed focus on diversifying our revenue and being our customers primary partner.

#### Dividend

Notice is hereby given that a final dividend of 27.69 thebe per share for the year ended 31 December 2021 was declared on 22 March 2022 and subject to regulatory approval will be payable on 20 May 2022 to those shareholders registered at the close of business on 10 May 2022 with an ex-dividend date of 06 May 2022. In accordance with the Republic of Botswana Income Tax (Cap 52:01) as amended applicable withholding tax will be deducted by the Bank from the gross dividend.

Neo Moroka  
Board Chairman

Keabetswe Pheko-Moshagane  
Managing Director