Absa Bank Botswana Limited
Integrated Report 2023

Your story matters

absa

Table of contents

Our 2023 Intergrated Report

Integrated reporting purpose, scope and audience

Absa Bank Botswana Limited ("the Bank") is a public company listed on the Botswana Stock Exchange ("BSE") and domiciled in Botswana. The Bank strives to incorporate the principle of integrated thinking into our business and reporting. This Integrated Report aims to tell our holistic value creation story to investors and other key stakeholders. Through this report we aim to provide our providers of financial capital with a concise, yet sufficiently informed view of value creation, preservation and erosion throughout our business over the short[1], medium[2] and long[3] term.

Integrated thinking requires incorporating considerations around prosperity, people and the planet into our core business activities, considering our external environment and taking a holistic view of factors that create or erode value. Considering the Bank's reliance on a wide range of tangible and intangible resources, integrated thinking is critical to ensure cohesive decision-making and responsible capital allocation. Ultimately, integrated thinking helps us balance short and long-term outcomes, which is fundamental to our ability to create value sustainably.

The financial information reporting boundary is defined by control and significant influence in the operating environment. All other reporting boundaries, including risks, strategy, governance, social and environmental, are as per their ability to significantly impact value creation, as determined by the Bank's Board and management.

[1]Less than twelve months
[2]One to three years
[3]Longer than three years

Frameworks, assurance and reporting suite

This Integrated Report is prepared using the International Financial Reporting Standards ("IFRS") Foundation's Integrated Reporting Framework 2021 and the King IV Report on Corporate Governance for South Africa, 2016™. The contents of this report include extracts of financial information based on IFRS and non-financial information reviewed by management and the Board. The Annual Financial Statements ("AFS") published in the report are prepared in accordance and in compliance with the requirements of IFRS Accounting Standards as issued by the International Accounting Standards Board and all applicable legislation. This report and the AFS are similarly, in compliance with the following regulations, requirements and guidelines:

- Banking Act
- Botswana Stock Exchange Equity Listings Requirements
- Botswana Companies Act of 2007 as amended
- Non-Bank Financial Institutions Regulatory Authority Act
- Corporate Governance Guidelines for Banks and Financial Institutions Licensed and Supervised by the Bank of Botswana
- Corporate Governance Principles for Banks through the Basel Committee on Banking Supervision.

Reporting period and forward-looking statements

This report covers the period from 1 January 2023 to 31 December 2023. Notable, and/or material events after this date, and until the approval of this report on 30 May 2024 are included. Statements relating to future operations and the performance of the Bank are not guarantees of future operating, financial or other results and involve uncertainty as they are based on assumptions of future developments, some of which are beyond our control. Therefore, the results and outcomes may differ given continued levels of uncertainty. Our approaches, planning, and stress testing exhibit a higher than usual level of uncertainty as to the outlook statement.

Restatement

The prior years' statements of financial position and statements of cash flow were restated for several matters, and we refer readers to note 54 of the AFS on page 189 of this report for a comprehensive understanding of such corrections. The restatement impact on the statements of comprehensive income, cash flows and financial position are further detailed on note 54 of the AFS.

Process disclosure, materiality and assurance approach

This Integrated Report uses financial materiality to scope which matters are significant for reporting and servicing the informational needs of capital markets. A matter is material if it can significantly affect our ability to create or preserve value or lead to value erosion (i.e., enterprise value) over the short, medium and long term. Our material matters, as determined through our materiality determination process are as follows:

- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition.

Our Integrated Report process commenced with the review of the material matters for reporting. The materiality determination process for the purpose of preparing and presenting an Integrated Report involves:

- Identifying relevant matters based on their ability to affect value creation
- Evaluating the importance of relevant matters based on either the magnitude of their effect on value creation or the likelihood of occurrence
- Prioritising the matters based on magnitude
- Determining the information to disclose about material matters.

Material matters reported in this report thus cover those matters

Our 2023 Integrated Report
continued

deemed to have a material financial impact on the business in the short, medium and long term. This was primarily determined via a joint in-depth strategy review, in which the Bank's Board of Directors ("the Board") actively engaged with Management, after which the Board approved the 2023 strategy on 10 November 2022. Thereafter, content gathering for these disclosures included engagements with and submissions from business units, including governance and enabling functions. In accordance with this materiality principle, each submission in this report was signed off by the accountable function executive, after which the holistic report was signed off by the Country Management Committee.

The Bank's Sustainable Finance Issuance Framework, as published in June 2023, requires the Bank to have a limited assurance report, designed to provide independent assurance on the instrument status of all issued sustainable bonds out of the P2billion Note Programme. This is in line with the Botswana Stock Exchange Debt Listings Requirements. The Bank's external auditors have thus provided limited assurance on the management and allocation of the proceeds of the sustainable bond issued in 2023 and reported in this integrated report.

The Bank applies a risk-based, combined assurance approach over operations. Therefore, internal controls, management assurance, compliance, internal audit reviews, and the services of independent external assurance providers, as necessary, support the accuracy of the disclosures within this report. In line with their respective mandates, specific reports are reviewed and recommended to the Board for approval by the various committees of the Board, namely the Board Audit Committee, Board Credit Committee, Board Risk Committee and the Board Human Resources Remunerations and Nominations Committee ("HR Committee"). The Board takes final accountability for the approval of the Bank's external disclosures, as approved by KPMG Botswana in our AFS.

"Material matters reported in this report thus cover those matters deemed to have a material financial impact on the business in the short, medium and long term".

Approval of the Integrated Report

Supported by Management and all the Board Committees, the Board acknowledges its responsibility for the integrity of the Bank's external reporting. This report provides material and relevant information to providers of financial capital to enable informed capital allocation decisions while also supplying information relevant to broader stakeholders.

This report is presented in accordance with the IFRS Foundation's Integrated Reporting Framework 2021, the King IV Report on Corporate Governance for South Africa, 2016™ and the regulatory universe as duly indicated under the frameworks utilised on page 3 of this report. The Board believes it addresses all material matters influencing the Bank's ability to create, preserve, or erode value in the short, medium, and long term. It is the Board's opinion that this Integrated Report presents a fair and balanced view of the Bank's performance and outlook.

The Board approved this report on 30 May 2024.

Cosmas Moapare
Independent Board Chairman

Kgotlayarona Ramaphane
Lead Independent Non-Executive Director

Benjamin Monaheng Kodisang
Independent Non-Executive Director

Sari Helena Nikka
Independent Non-Executive Director

Sethunya Makepe-Garebatho
Independent Non-Executive Director

Thabo Kagiso Matthews
Independent Non-Executive Director

Saviour Mwepu Chibiya
Non-Executive Director

Keabetswe Pheko-Moshagane
Executive (Managing) Director

Reading this report

Navigational icons used in this report

Hyperlinks are used throughout this report and indicated through the use of ***orange italic text***

Integrated thinking principle We sign post where integrated thinking and decision making are at play to create the basis for long-term value creation.

King IV™ statement We sign post statements by those charged with governance in line with King IV™ disclosure practices. King IV Report on Corporate Governance for South Africa, 2016 (King IV™). Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.

Six capitals We consider all six capitals in assessing value creation, preservation and erosion.

These icons sign post the relevant capitals.

Financial capital
This refers to the pool of funds that is available to the Bank for use in the production of goods or the provision of services obtained through financing, such as debt, equity or grants, or generated through operations or investments. We aim to use our financial stocks of value to enhance the outcomes on all our capitals in order to support our ability to create value over the short, medium and long-term while preventing value erosion.

Human capital
This refers to people's competencies, capabilities and experience, and their motivations to innovate, including their alignment with and support for the Bank's governance framework, risk management approach, and ethical values, ability to understand, develop and implement the Bank's strategy and loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate. The Bank's ambition is to create a thriving, future-fit organisation that attracts, develops and retains the best people through a differenciated workplace experience by creating an enabling environment that fosters diversity, equity and inclusion for all.

Social and relationship capital
This refers to the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective wellbeing. Social and relationship capital includes shared norms, common values and behaviours, key stakeholder relationships, and the trust and willingness to engage, that the Bank has developed and strives to build and protect with external stakeholders, intangibles associated with the brand and reputation that the Bank has developed as well as its social license to operate.

Intellectual capital
This refers to the Bank's knowledge-based intangibles, including intellectual property, such as patents, copyrights, software rights, and licenses and "organisational capital" such as tacit knowledge, systems, procedures, and protocols.

Manufuctured capital
This refers to manufactured physical objects (distinct from natural physical objects) that are available to the Bank for use in the production of products or the provision of services, including buildings, equipment and infrastructure (such as roads, ports, bridges, waste and water treatment plants).

Natural capital
This refers to all renewable and non-renewable environmental resources and processes that provide products or services that support the past, current or future prosperity of the Bank. It includes air, water, land, minerals and forests, biodiversity and ecosystem health.

Prioritised Sustainable Development Goals (SDGs)

The Bank, as part of Absa Group, takes cognisance of the prioritised SDGs in the business model outcome. This is linked to our strategy and encompasses the following:

- Diversifying revenue streams with deliberate transactional led growth
- The primary partner for our clients
- A digitally powered business
- Building a winning, talented and diverse team
- Making intergenerational wealth accessible to all
- A leader in sustainable finance
- Strong governance as a non-negotiable.

Absa Group's prioritised SDGs include:

Reading this report continued

Navigational icons used in this report

Five strategic pillars underpin our ambition:

- We will diversify our revenue streams with deliberate transactional led growth.
- We aim to be the primary partner for our clients.
- We deliver a superior digital experience by being a digitally powered business.
- We build a winning, talented and diverse team.
- We continue to be an active force for good in everything we do.

Share your views

We remain committed to empowering Africa's tomorrow, together...one story at a time. The Bank has adopted an integrated approach to reporting, in accordance with various corporate governance rules and standards. Please share your feedback on our report by emailing to ***BWinvestorenquiries@absa.africa*** *or* ***Botswana.CustomerService@absa.africa***

Abbreviations used in this report

ABB	Absa Bank Botswana Limited
AFS	Annual Financial Statements
AGM	Annual General Meeting
AI	Artificial Intelligence
AIS	Absa Insurance Services (Pty) Ltd
ARO	Absa Regional Operations
ALCO	Asset and Liability Management Committee
ASB	Absa Securities Botswana (Pty) Ltd
ATM	Automated Teller Machine
AWS	Amazon Web Services
BOB	Bank of Botswana
BWP	Botswana Pula
BSE	Botswana Stock Exchange
CAF	Commercial Assets finance
CAR	Capital Adequacy Ratio
CASA	Current Accounts Savings Accounts
CET1	Common Equity Tier 1 Ratio
CIB	Corporate and Investment Banking
CLR	Credit Loss Ratio
CMC	Country Management Committee
COE	Cost of Equity
CPI	Consumer Price Index
CSI	Corporate Social Investment
CTI	Cost-To-Income
CXI	Customer Experience Index
DR	Discount Rate
DVaR	Daily Value at Risk
ECL	Expected Credit Losses
EDs	Executive Directors
EFTs	Electronic Fund Transfers
EGM	Extraordinary General Meeting
ERC	Executive Risk Committee
ERMF	Enterprise Risk Management Framework
ERTP	Economic Recovery and Transformation Plan
ESG	Environmental, Social and Governance
FATF	Financial Action Task Force
FC	Financial Capital
FIA	Financial Intelligence Agency
FX	Foreign Exchange
GACC	Group Audit and Compliance Committee
GBP	Great British Pound
GDP	Gross Domestic Product
IAS	International Accounting Standards
ICT	Information Communications Technology
IESBA	International Ethics Standards Board for Accountants
CEPA	Code of Ethics for Professional Accountants
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IR	Integrated Reporting
KYC	Know Your Customer
KPIs	Key Performance Indicators
LAR	Liquid Asset Ratio
NBFI	Non-Bank Financial Institutions
NBFIRA	Non-Bank Financial Institutions Regulatory Authority
NED	Non-Executive Director
NFI	Non funded Income
NII	Net Interest Income
NIR	Non-Interest Revenue
NPS	Net Promoter Score
PoS	Point of Sale
RPC	Renumerations and Promotions Committee
PPE	Personal Protective Equipment
PPPs	Public-Private Partnerships
RBB	Retail and Business Banking
RICM	Risk and Issue Classification Matrix
RWA	Risk Weighted Assets
SACU	Southern African Customs Union
SADC	Southern African Development Community
SDGs	Sustainable Development Goals
SME	Small Medium Enterprise
SOCE	Statement of Changes in Equity
SOCF	Statement of Cash Flows
SOCI	Statement of Comprehensive Income
SOFP	Statement of Financial Position
SPPI	Solely Payments Of Principal And Interest
STEM	Science, Technology, Engineering and Mathematics
TAG	Technical Accounting Group
TORs	Terms of Reference
TCFD	Task Force on Climate-Related Financial Disclosures
TNDP	Transitional National Development Plant
UK	United Kingdom
UNESCO	The United Nations Education Social and Cultural Organisation
USA	United States of America
USD	United States of America Dollar
VAT	Value-Added Tax
VRF	Value Reporting Foundations
ZAR	South African Rand

Your story matters–Absa

Absa at a glance

Absa Bank Botswana Limited, is a leading financial services institution and has been a primary partner to its clients, consistently providing reliable and innovate solutions since 1950 when it was established in Botswana. We are proud to be part of Absa Group Limited, one of the continent's largest diversified financial services groups, having operated in Africa for over 100 years. Absa Bank Botswana Limited is listed on the Botswana Stock Exchange (BSE) and Absa Group Limited has their primary listing on the Johannesburg Stock Exchange (JSE).

Our values

Our values	Behaviours underpinning our values
Trust We believe in ourselves and each other	• I celebrate others' success • I take accountability for my actions • I embrace honesty and integrity • I create a safe space for others to fail forward • I am supportive, empathetic and kind.
Resourceful We innovate for our colleagues, clients and communities	• I am curious and willing to learn • I take the initiative to solve problems • I am decisive in my actions • I bring my best self to work every day so I can outperform for our clients • I am resourceful and creative in my problem-solving.
Stewardship We take actions today that sustain our tomorrow	• I am mindful of how my actions will impact future generations • I am committed to exceeding expectations • I embrace life-long learning • I cultivate a growth mindset • I embrace challenges as an opportunity to grow.
Inclusion We are stronger together	• I seek out collaboration • I embrace and celebrate diversity • I create safe spaces and honour others' boundaries • I treat all people with care and respect and endeavour to earn their trust • I share my knowledge and transfer my skills freely.
Courage We show up as our authentic selves to own our story	• I see and honour the humanity in others • I create a safe space for others to be vulnerable • I show up authentically • I speak up for others • I value others' unique contributions.

Our organisational purpose is unique and clearly articulated. It is brought to life in the interactions of our leadership, management, and employees, as well as with our clients, suppliers, governments, and local communities. Our behaviours and how we do things are consistent with our purpose.

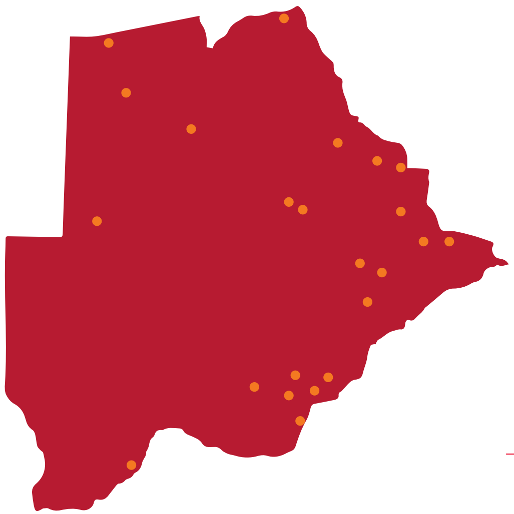
P24.6bn balance sheet size (2022: P22.7bn)

P18.7bn deposits due to customers (2022: P17.0bn)

20.68% capital adequacy ratio (2022: 21.65%)

Top Employer Botswana 2023

top EMPLOYER BOTSWANA 2023
CERTIFIED EXCELLENCE IN EMPLOYEE CONDITIONS



A silver recognition award win for Mobitap at the Qorus

Reinvention Awards

Top employer 2023-Top Employer Institute

Best digital bank, Global brands Magazine

2023 Global Banking & Finance Awards® winners of the following awards;

- **Best Agri Business Botswana 2023**
- **Best Bank for HR and Recruitment Botswana 2023**
- **Best SME Bank Botswana 2023**

32 branches

117 ATMs

5 888 point-of-sale (PoS) devices

1 039 employees

Our investor base at a glance

Our 852 161 252 issued shares are held by a diverse shareholder base:

Absa Bank Botswana Top 10 Shareholders

	2023			2022	
Name	**Total shares held**	**Rank**	**%**	**Rank**	**%**
Absa Group Limited	577 964 146	1	67.82%	1	67.82%
FNB Botswana nominees RE: BIFM-BPOPF ACT MEM & DP EQ	81 681 268	2	9.59%	2	9.57%
FNBB nominees RE: Vunani BPOPF	37 163 115	3	4.36%	3	4.36%
FNB Botswana nominees RE: MVA Fund	18 736 440	4	2.20%	4	2.20%
SCBN (Pty) Ltd RE: BPOPF LEA Portfolio CO AG	14 720 466	5	1.73%	5	1.73%
Stanbic Nominees Botswana RE BIFM PLEF	14 124 459	6	1.66%	6	1.52%
Stanbic Nominees Botswana RE BIFM MLF	11 474 679	7	1.35%	7	1.43%
Stanbic Nominees Botswana RE Ninety-one DPF (LOCAL EQ)	8 898 564	8	1.04%	8	1.04%
SCBN (Pty) Ltd RE: BIFM 028914400011 UB DC PF	7 267 860	9	0.85%	9	0.85%
Stanbic Nominees Botswana RE Allan Gray Debswana PF	5 458 286	10	0.64%	10	0.64%
Top 10 Absa shareholders	777 489 283				
Other Absa shareholders	74 671 969				
Total shares in issue	**852 161 252**				

Absa Bank Botswana Limited shareholding by industry as at December 2023

Industry	Total shares held	%
Banks	1 070	0.000%
Local companies	104 921	0.012%
CSD foreign companies	609 051 678	71.471%
CSD junior foreigners	363	0.000%
CSD local residents	528 002	0.000%
InvestCo/Trusts	74 479	0.009%
CSD junior citizens	84 522	0.010%
CSD local companies	225 897 694	26.509%
CSD citizens	12 354 147	1.450%
Local residents	3 486 585	0.409%
Non-Residents	77 581	0.009%
Total	**852 161 252**	**100%**

Our structure, products and services

We generate competitive advantage through innovation, our unique insights and perspectives, and our ability to bring our products and services to market effectively and efficiently while generating a financial surplus. We understand how our products and services meet our clients' needs.

Business segments	Retail and Business Banking	Corporate and Investment Banking
	P12.6bn Net loans and advances to customers (2022: P12.1bn) **P10.7bn** Deposits due to customers (2022: P10.4bn) **P496.1mn** Profit before tax (2022: P505.4m)	**P4.0bn** Net loans and advances to customers (2022: P4.2bn) **P8.0bn** Deposits due to customers (2022: P6.6bn) **P334.5mn** Profit before tax (2022: P357.3mn)
Serving	**Individuals:** youth, self-employed, personal, mass, prestige and premier customers **Micro, small and medium enterprises**; non-governmental organisations.	Global, regional, and mid-to-large corporates; financial institutions; and public sector institutions.
Products and services	Comprehensive suite of banking and insurance offerings, including transactional banking, card solutions, lending solutions, deposit-taking, risk management, investment products, and card-acquiring services.	Specialist solutions across corporate and transactional banking, investment banking, financing, risk management, advisory products and services.
Areas of differentiation	• An engaged and energised workforce • The largest branch network in the country • Full bank offering with integrated insurance products and a clear focus on customer value management • Enhanced digital capabilities • A stable customer base with improving retention and cross-selling opportunities • Robust credit and collections capability • Strong, secured lending capabilities • Strong brand recognition	• Over 100 years of experience on the African continent with global connectivity and local differentiation • Consistently recognised as an industry leader in the areas of investment banking, research and cash management • Strong stakeholder relationships • Sector expertise and thought leadership across several key sectors driving the economy
Presence in Botswana	Gaborone, Lobatse, Moshupa, Jwaneng, Tsabong, Ghanzi, Mochudi, Palapye, Serowe, Francistown, Masunga, Nata, Maun, Kasane, Gumare, Shakawe, Orapa, Kanye, Mahalapye, Selebi Phikwe, Tutume, Bobonong, Molepolole and Letlhakane.	

Ways to do banking

Banking App
is the safest way to bank. All customers need is a smartphone to bank wherever and whenever.

Absa Online Banking
keeps improving. The online banking platform makes banking accessible, quicker and better. We offer a superior banking experience so that customers can spend less time navigating and more time banking.

Cellphone Banking
can be done using any phone and requires no downloads, no data or airtime. Customers can transfer money to anyone-even if the receiving party does not have an account, buy airtime and electricity, and so much more by dialling *161*234#

Branches, ATMs and PoS devices
An extensive physical footprint across Botswana, comprising 32 branches, 117 ATMs and 5 888 PoS devices.

Agency Banking
provides services to our customers through third parties or an agent. Absa agents are commercial entities that have been contracted to provide specific services on the Bank's behalf. Agency banking, therefore, allows customers to access financial products and services at a location nearest to them, thus breaking down specific barriers to financial inclusion such as cost and accessibility.

Call centres
Services offered include sales, service, and general enquiries. Customers can obtain settlement letters, account balances, tax certificates, Absa rewards redemptions, and more with a single phone call. The calls are secure, which provides the peace of mind to bank with ease.

Spark by Absa
is a game changing digital wallet that is available on the phone. With Spark by Absa, customers can make contactless QR payments, fund wallet using any bank card, pay at PoS machines and transfer money from Spark by Absa to one's account. Customers can also pay bills and deposit or withdraw from partner agents providing great convenience.

Digital Customer Onboarding
Customers can open saving and current accounts online from anywhere, at any time. This is absolute convenience.

Absa in the Botswana banking context

The Botswana market contains a broad spectrum of banks and other competing financial services institutions. The table below shows the Bank's position relative to its most significant peers.

Botswana peer comparison

		Revenue growth % YOY	Revenue growth Pm	Pre-Provision profit Pm	Profit before tax Pm	Profit after tax Pm
Absa Bank Botswana	2023	14%	257.5	907.2	830.6	624.6
	2022	13%	208.8	873.1	862.7	658.9
First National Bank Botswana[1]	2023	18%	486.8	1 638.4	1 612.1	1 265.7
	2022	11%	274.3	1 338.6	1 308.1	1 011.9
Stanbic Bank Botswana[1]	2023	17%	234.0	737.8	628.5	483.9
	2022	21%	242.1	557.0	568.9	443.9
Standard Chartered Bank Botswana[1]	2023	15%	138.3	377.4	402.7	307.4
	2022	22%	163.8	296.1	253.1	201.8
Access Bank[1]	2023	11%	61.3	67.0	52.3	42.1
	2022	3%	15.4	50.2	70.2	8.2

[1]Figures obtained from the respective banks' websites for the relevant periods.

Empowering Africa's tomorrow–our strategic intent

Board Chairman's message

Cosmas Moapare
Board Chairman

> **"The economic and regulatory atmosphere remains fundamental to the Bank's strategic planning and achievement of our shared purpose."**

Operating context

It gives me great pleasure to share my inaugural Board Chairman address with our various stakeholders, who are a part of our remarkable story, as we continue to empower Africa's, tomorrow, together...one story at a time. Our story is one of connection, resilience, shared value, and one that cannot be told in seclusion of the operating environment.

Over the last few years, the global economic environment continued to witness volatility due to geopolitical tensions such as Russia's invasion of Ukraine and the escalating Israel-Gaza war. The anticipated Chinese economic rebound disappointed and inflation remained elevated for longer than expected. These tensions contributed to the subdued economic performance and inflationary pressures, in addition to headwinds stemming from the impact spillover effects from the COVID-19 pandemic, as well as pervasive cost of living crisis and extreme climate events, including the El Nino effect. Ultimately however, the global economy displayed a mixed bag performance, with a stronger than expected resilience in the United States of America (US) and many emerging-market economies. It would be remiss of me not to mention the failure of three regional banks in the US and a major one in Europe, which momentarily caused volatility within the industry. This was however swiftly averted by regulatory authorities who took decisive actions to contain the threat. Regionally and in Africa in general, governments continued to grapple with sovereign debt default, infrastructure challenges, stubborn unemployment rates and the softening of commodity prices. We are also expecting elections in a number of African countries, including our own this year, which usually elevates risk in a fragile economic environment. However, on a positive note, we have seen an increased regional collaboration between various governments to drive key infrastructure projects and projections estimate a moderate growth in the sub-Saharan Africa region.

Our local economy, although pressured by a weaker diamond sector, which is affected by the economic performance of key markets, exhibited an overall slowed growth momentum, but the relentless drive by the Government to transform the country to a high-income economy by 2036 was noted, which included accelerated structural transformation and roll out of an expansive Transitional National Development Plan. The regulatory environment has also witnessed some changes over the year, to keep pace with global developments and appropriately manage emerging risks. Key shifts impacting the Bank have been on corporate governance, data protection, cybersecurity and protection of customer deposits.

The economic and regulatory atmosphere remains fundamental to the Bank's strategic planning and achievement of our shared purpose. As a Board, we remain optimistic that despite foreseen and unforeseen headwinds, the Bank has demonstrated agility to navigate the complex terrain and empower a brighter tomorrow for Africa. We will thus continue to exercise our oversight and fiduciary responsibility role in the consideration of multiple stakeholder interests, primarily, being a trusted primary partner for our clients. Our external environment section provides more detail about the headwinds faced during the year on page 17.

2023 strategic performance and direction

In November 2022, the Board considered and approved a robust strategy, which is guided by our clear purpose, and was implemented throughout 2023, and refined in October 2023, for the 2024 period. The Board and Management believe this strategy will continue to provide and preserve value for our stakeholders. Reports on the strategy and strategic priorities thereof, are presented by Management and deliberated by the Board at length on a quarterly basis. Our view as the Board is that despite the uncertain macroeconomic environment, Management has executed against the approved strategy over the last year. A more detailed update is included in our MD's message on page 55. Our total income increased by 14%, and customer deposits increased by 10% as a result of various initiatives, which demonstrates continued effort on improving primacy. Pre-provision profit was at P907million, reflecting a year-on-year growth of 4%. While our return on equity (RoE) 20.6% was lower than the prior year (23%), this is reflective of the operating costs the Bank had to absorb. In the absence of the impact of once off adjustment in 2023, our RoE would have reflected at 24%. It is within this backdrop that the Board declared an interim dividend of 14.43 thebe per share and final dividend of 44 thebe per share during 2023. Full details on our financial performance can be examined in the Interim Finance Director's report on page 58 of this report.

The Bank strives within a purpose-led culture, within which our new values were unveiled as captured in detail on page 55 of this report. This ethos has enabled a oneness of mind, underscoring the importance of behaviours that underpin the execution of our goals and strategic intent, consistently promoting an ethical culture and playing an integral part of how we conduct our business.

Our people will remain a key asset in executing our strategy, and the Board did not take the decision to undertake a restructuring project that involved a reduction of our workforce lightly. On behalf of the Board I would like to express our sincere gratitude to those employees who were impacted by this exercise for their contribution to the Bank and wish them well in the future.

The Board is acutely aware of the highly competitive environment and talent war in our industry; thus a continued assessment of the employee value proposition (EVP) is necessary. The Board approved the Absa eKhaya Colleague Share Scheme ("the Scheme"), which is a phantom share scheme for the Bank's

Board Chairman's message continued

employees that was launched on 1 September 2023. The Broad Based-Black Economic Empowerment (B-BBEE) Scheme provides employees in South Africa with an equity ownership interest in Absa Group while employees in Botswana will be entitled to an equivalent gross value linked to the benefits which South African Scheme Participants will receive under the Scheme, accounted for as a cash-settled share-based payment arrangement.

It is of great importance to the Board, to not only assess our financial performance and strategic achievements, but to assess the manner in which we delivered these as we aim to be an active force for good. The Board was particularly pleased to be the first bank in our market to publish a sustainable finance issuance framework as well as list a sustainable bond on the local bourse. This was an update to the Bank's P2billion Medium Note Programme to incorporate Green, Social and Sustainable Bonds and make a meaningful contribution to our nation's agenda of combatting climate change, while advancing environmentally and socially responsible practices in the financial services industry.

The Bank continued to foster a culture of financial literacy and empowerment through various programs and products ensuring the unbanked and underbanked are fully equipped to participate in our economy. Over the last year, through the Enterprise Supply Chain Development (ESD) programme, the Bank empowered over 2000 Small and Medium-sized Enterprises (SMEs) with the skills and insights necessary for sustained business momentum, and also launched the See Her Empowered (SHE) business account. This is an innovative solution designed to promote the growth of Batswana women entrepreneurs, contributing to women's financial inclusion. Significant progress was also evidently seen in the enhancements in our digital service offerings that have bolstered adoption of our digital channels. Particularly, the Bank launched a first to market payment solution called Absa Mobi Tap that allows merchants to process contactless card transactions using their smartphones as a secure payment terminal. This financial inclusion solution is particularly beneficial for micro, small and medium-sized enterprises, especially those with mobile operations, such as taxi services and market vendors.

Board matters and executive changes

Over the last year the Board bid farewell to the previous Board Chairman Mr Daniel Neo Moroka, who resigned on 31 October 2023 to pursue other interests. Mr Moroka joined the Board in July 2021 and during his tenure, significantly contributed to guiding and building management capacity and board succession, in line with the strategic purpose and priorities of the Bank. On behalf of the Board, I would like to express the Bank's appreciation for his service and wish him well in the future.

On 1 November 2023, I transitioned from being the Lead Independent Director and Board Audit Committee Chairperson to the Interim Board Chairman, with my appointment as substantive Board Chairman finalised on 23 May 2024. It has been an exciting journey thus far and I am inspired to continue partnering with my colleagues on the Board, management and all other stakeholders to forge ahead in crafting the Absa Bank Botswana story. Let me take this opportunity to thank my fellow board members for their confidence in me and their passion, experience and commitment to the Bank.

Given the above changes, the Board appointed Mr Kgotlayarona Ramaphane as the Interim Lead Independent Director on 1 November 2023 with his substantive appointment finalised on 23 May 2024. Mr Benjamin Kodisang was appointed the Interim Board Audit Committee Chairman with effect from 1 November 2023 and the Board further reconstituted the board committees in the interim, with details reflected on page 92 of the Value Created and Preserved section of this report. The Board is currently on a recruitment journey and plans to table the Bank's constitution for amendment to allow the Bank to increase the number of non-executive directors at the Extraordinary General Meeting scheduled for 27 June 2024. Further details can be examined on pages 198 of the "Shareholder Information" section of this report. The Finance Director, who was also an executive director on the Board, Ms Cynthia Morapedi resigned with effect from 14 May 2024 and the Board appointed Mr Leroy Klein on an interim basis. On behalf of the Board, I again thank Ms Morapedi for her service and wish her well in the future.

Succession is an ongoing consideration, with the Board deliberating management succession and development on a quarterly basis. The Board approved the substantive Corporate Banking Director, Ms Tebogo Giddie with effect from 1 April 2023 as well as the Compliance Director Ms Puseletso Nyamambi, whose appointment is with effect from 1 May 2024. The Board further approved the appointment of Ms Loungo Kedikilwe as acting Chief Risk Officer with effect from 14 May 2024. The Board will continue to exercise oversight in the appointment process of senior management, considering the ongoing ethical standard of the fit and proper enquiry, prior to relevant regulatory approvals.

> **"It is my firm belief that success only counts as success, if it is mutual success. I must express my deepest appreciation to my fellow board members for walking this journey with camaraderie and excellence."**

Conclusion

We are well aware of the challenging business operating environment, particularly with our economy's reliance on the diamond sector, which remains fragile. On the global front, the risk landscape ranges from climate change to geopolitical tensions, which can undoubtedly cause volatility in a number of areas. However, our business remains well-positioned and I am confident that our strategic endeavors will bear fruit as we continue to work together to create and preserve value for our stakeholders.

Our strategy remains relevant and robust. As the Board we will remain resolute in supporting Management to deliver our strategic objectives, pivotally enhancing customer experience.

It is my firm belief that success only counts as success, if it is mutual success. I must express my deepest appreciation to my fellow board members for walking this journey with camaraderie and excellence. To the Managing Director and Management team, you have forged ahead with the mandate entrusted to you, leading by example, and the Board will continue to support you. Thank you. On behalf of the Board, let me also convey gratitude to each employee of the Bank for their hard work and dedication throughout the year. I would also like to appreciate Sello Moloko and the Absa Group for the engagements and support. A heartfelt thank you to our loyal customers, our regulators, partners, suppliers and any other stakeholder that has contributed to the success of our business. As we endeavour to embed our brand in your story, we can only hope that we are indeed empowering Africa's tomorrow, together...one story at a time.

Our external environment in 2023

To maintain relevance and achieve success in the medium term, we respond to prevailing trends by continuously monitoring the horizon for strategic opportunities to execute our strategy and create value over time.

Geopolitical escalations and a challenging recovery

Economic growth prospects fringed with uncertainty

The global economy has faced multiple shocks over the last three years, testing the resilience of people across the world. Spillover effects from the COVID-19 pandemic, Russia's invasion of Ukraine, and extreme climate events are among the major issues which weighed heavily on economic prospects in 2023. Economic activity across the global economy was highly divergent in the past year with stronger than expected resilience in the United States of America (US) and many emerging-market economies. However, this was offset by a slowdown in most European countries. According to the International Monetary Fund (IMF), global growth is estimated at 3.2% in 2023 and is projected to continue at the same pace in 2024 and 2025[1]. The war in Ukraine, which broke out in February 2022, compounded disruptions to global oil and food supply chains, driving high inflation that compelled central banks to increase interest rates faster and in larger increments than markets expected. Fortunately, there were clear indications that headline inflation had started to decline in 2023 nearing its pre-pandemic levels in most economies.

Sub-Saharan Africa poised for rebound despite headwinds

In sub-Saharan Africa, governments continued to grapple with financing shortages, high borrowing costs, and rollover risks amid persistently low domestic resource mobilisation. The financing challenges are pushing countries to make difficult tradeoffs by cutting essential public spending and redirecting development funds to service debt. Expediting trade integration and improving business environment could unlock economic potential as it enhances the region's potential to attract foreign direct investment. Positively, projections by the IMF estimates the region's growth at 3.4% in 2023.

Weak diamond sector weighing on the local economy

The rate of economic growth has been respectable in recent years recording 11.9% in 2021 and 5.5% in 2022. However, strong growth momentum could not be maintained as the economy slowed against heightened global economic uncertainty, resulting in Botswana's economy recording a growth rate of 2.7% in 2023. This performance was mostly dragged down by the mining sector which expanded by just 3.1% lower than 7.6% and 29.8% in 2022 and 2021 respectively. The diamond traders sector also faced significant pressure as global rough diamond demand fell significantly in 2023. The US retail sales of polished diamonds remained under severe pressure as consumers struggled with tight monetary policy while China's sluggish economic recovery further depressed demand. Furthermore, India's diamond sector called for a voluntary import freeze of rough diamonds from 15 October to 15 December 2023. The agriculture sector's performance remained stagnant, at 1.3% in 2023 compared to the 2022 growth of 1.2%. 2023 was declared a severe arable agricultural drought year throughout the country, aggravating an already chronic drought situation, compounded by the El Nino effect and evidence of the impact of climate change. As a result, the Government of Botswana adopted relief measures to cushion the society and farmers from the economic consequences of the drought.

On a positive note, economic activity was supported by government interventions to facilitate productive capacity, accelerate structural transformation and an expansive Transitional National Development Plan (TNDP) in the year under review. The government recognises that significant structural transformation is needed to put Botswana on the path to high-income status by 2036. The TNDP indicates that structural transformation has a number of critical components which includes digital transformation, value chain development based on export-led growth, development of productive infrastructure, reducing dependence on the public sector, and rationalisation of state-owned enterprises.

Inflation decelerated rapidly leading to monetary policy cut

Consumer inflation averaged 5.2% in 2023, significantly lower than 12.1% in 2022. The low inflation was as a result of base effects associated with upward adjustment of administered prices in 2022, subdued domestic demand, reduction in domestic fuel prices, the decrease in trading partner countries' inflation, higher appreciation of the Pula against the South African Rand and the restrained growth in food prices. Regarding monetary policy, the Central Bank cut the policy rate by 25 basis points to 2.4% in December 2023. For the move, the authorities cited well-anchored inflation expectations, a weak domestic and global economic backdrop and expectations of inflation remaining within target over the medium term.

Digital disruption and the rise of artificial intelligence (AI)

The financial services landscape is witnessing a transformative digital shift driven by technological advancements and evolving consumer demands. With fintech innovations, blockchain technology, the emergence of digital currencies, and the imminent arrival of quantum computing, traditional banking, investment, and insurance

[1] International Monetary Fund, World Economic Outlook (April 2024)

Our external environment in 2023 continued

paradigms are being redefined. Moreover, adopting real-time analytics and cloud computing has refined operational efficiencies, amplified the client experience, and paved the way for personal services.

This paradigm shift presents opportunities for countries to harness technological developments to raise standard of living of their citizens, increase economic efficiency and sustainable development by raising factor productivity as well as the relative size and contribution of the financial services sector to economic activity or overall GDP.

In Botswana, the finance, insurance and pension funding sector expanded by 5.6% and contributed 6.1% to GDP in 2023. According to a technical note prepared by the World Bank Group, Republic of Botswana Financial Sector Assessment Program[1] has seen a significant increase in financial inclusion with the number of adults with a bank account increasing from 68% in 2014 to 82% in 2020. In connecting citizens to markets and services, improving productivity, reducing transaction costs, and bridging information gaps, the use of digital channels unlocks the potential of digital economy. Mobile and broadband internet connectivity, jointly with technology adoption has consistently developed in Botswana and supports the growth of digital financial services.

While artificial intelligence (AI) models show extensive utility in various financial services segments, from risk management to client services to technology development, they also raise ethical and safety questions. The inaugural AI Safety Summit in the United Kingdom brought together representatives from 28 countries, including the US, China, and the EU, to sign the Bletchley Declaration on AI safety. This agreement, aimed at managing the risks of frontier AI models, highlights the potential for serious harm that these technologies could pose, intentional or accidental[2]. The pressing challenge for financial institutions is not only to invest wisely and develop skills to leverage AI's opportunities but to also navigate its dual nature, ensuring the safe and ethical use of AI in alignment with global standards.

Banks at the forefront of sustainable finance amid climate challenges[3]

Climate change remains a pressing global concern, and there is an increasing interest and demand concerning how the financial industry manages risks and opportunities linked to climate change. The banking industry is among the major industries that contribute to global climate change both directly and indirectly.

Amid navigating economic uncertainties which impact the banking industry, there is also an increasing need for climate and sustainability considerations because of the growing climate change concerns evidenced by higher temperatures, underpinned by heatwaves, wildfires, downpours and flooding experienced in 2023. This underscores the need for immediate and concerted action to curb greenhouse gas emissions, transition to renewable energy sources, and build climate resilience. The banking industry is in a unique position to influence the transition to a low carbon economy. This can be achieved by integrating climate considerations into their strategies and shifting towards sustainable finance to support communities impacted by climate events.

The banking sector has the key to enabling a more sustainable future by converting the risks associated with environmental issues into opportunities for systemic change and innovation. The transition to low-carbon initiatives is driving a significant increase in sustainable finance activity. According to Bloomberg, investors are redirecting trillions of dollars towards sustainable activities globally, resulting in innovative financial products and an ever-expanding regulatory landscape[4].

Sustainable finance has experienced rapid growth in the past five years, evolving from a negligible presence to a prominent focus area for banks. According to research conducted by McKinsey & Company, issuance of sustainable bonds now accounts for about 11% of the total bond market volume, while sustainability-related syndicated loans are about 13% of the global syndicated loans market volume[5].

The regulatory landscape significantly shapes businesses' sustainability strategies, responding to government, investor, and stakeholder pressures. The Absa Africa Financial Markets Index which serves as a reference point for policy makers aiming to strengthen financial markets continues to be a valuable tool for African countries. Absa Africa Financial Markets Index 2023 report states that Botswana's score has risen from 58 points out of 100 in 2022 to 59 points in 2023, and this improvement is due to new incentives for Environmental Social Governance (ESG) asset issuance in Botswana. Additionally, the Botswana Stock Exchange has published guidance for listed companies on reporting ESG information to investors. Adoption of the guidelines is voluntary and is aimed at improving ESG reporting. This indicates the emergence of the sustainability regulatory landscape in Botswana.

Following the Paris Agreement on climate change and the United Nations 2030 Agenda for Sustainable Development in 2015, various regulatory initiatives have been taken with the aim of integrating environmental considerations into investment decision-making in order to achieve the goal of transitioning to a low-carbon, more resource-efficient, fairer, and sustainable economy.

Several advances in the international agreements at COP28 have implications for Africa's climate resilience and the continent's economies. In terms of limiting emissions, for the first time, a statement was made about the importance of transitioning away from all fossil fuels - and not just coal - towards alternative energy sources. This further underscores the importance of taking advantage of the opportunity in many African countries, including Botswana, to accelerate the roll-out of renewables for which the continent has vast resources. The establishment of the Global Goal on Adaptation and the long-awaited agreement to establish the Loss and Damage Fund have the potential to support adaptation on the continent, thereby building the continent's resilience to climate change. The parties also agreed to increase the coverage of

[1] World Bank Group, Republic of Botswana Financial Sector Assessment Program
[2] Euronews, A world-first AI agreement.
[3] EY: Transforming the South African banking landscape: Eight emerging trends.
[4] Bloomberg April 2022 Four trends shaping the momentum in sustainable finance
[5] McKinsey & Company December 2022 Banking on a sustainable path, Global Banking Annual

Our external environment in 2023 continued

Nationally Determined Contributions to cover all sectors, greenhouse gases and emissions. This will provide a basis for more decisive action on climate change in future.

As part of the conversation on transitions, COP28 also focused on the financing elements of social transitions and the importance of partnerships and collaborations in driving climate finance in Africa. Financial institutions have been identified as crucial in accelerating decarbonisation efforts.

Business engagement in societal issues

As 2023 unfolded, the world confronted a mosaic of challenges that highlighted the interconnectedness of the global community. Poverty and inequality have seen concerning trends, particularly in regions like South Asia and sub-Saharan Africa, which underscored the need for collective effort of businesses to address the challenges to foster a sustainable and equitable future.

According to World Bank, poverty in Botswana continues to be high despite Botswana's relatively high-income level[1]. This is underpinned by factors such as unemployment which has remained stubbornly high at 25.9% in 2023, with youth unemployment posing a critical challenge for the country, and the level of inequality (Gini index of 53.3) which is among the highest in the world. Addressing unemployment calls for accelerated efforts to further shift Botswana's growth model away from extractive industries and the public sector. Botswana also continued to experience impacts of global economic shocks and moderate growth trajectory driven by the sluggish global growth and weaker diamond sales. Furthermore, geopolitical conflicts and crisis continue to escalate, posing a risk to the inflation outlook and supply chain disruptions, thereby threatening the livelihoods of Batswana.

These economic and social challenges that Botswana continued to experience highlighted the imperative for businesses to collaborate and collectively seek for solutions. The 2023 Edelman Trust Barometer[2] also reflects this reality, indicating a global sentiment for business to strengthen their involvement in societal matters. This narrative is supported by the Accenture research which emphasised that 63% of global customers are more likely to make a purchase from a brand that matches with their personal values and beliefs. The Cone Communications Study[3] also highlighted that 76% of millennials consider an organisation's social and environmental impact when deciding where to work. This data underscores a pivotal shift in business landscape, where societal alignment and corporate responsibility are paramount.

Navigating regulatory shifts

Financial regulations are evolving at a fast pace as policymakers seek to strengthen the financial system to make it more robust and resilient. This is also in light of concerns over the health of the US banking industry which briefly came to the fore due to the failure of three small banks and while in Europe the failure of Credit Suisse resulted in the consolidation of the failed bank into UBS. This contributed to increased scrutiny by regulators across the globe.

Similarly, the local regulatory environment continues to evolve in order to keep pace with global developments. Key shifts have been prevalent on areas around cybersecurity, corporate governance, and protection of customer deposits. Data Protection and Privacy has also become a topical item within the Botswana realm with the Data Protection Act, 2018 currently under review and in a transitionary period. The Act has introduced challenging dynamics around storage and localisation of data as well as restrictions on data transfer. Guidelines on cyber security and resilience have also been introduced to create a common approach for addressing cyber risk within the banking system, achieve minimum and acceptable levels of cyber resilience, and ensure that systemic cyber risk is effectively managed within the banking system.

The Central Bank established a Deposit Insurance Scheme in order to guarantee repayment of protected deposits in the event of failure by a member institution, and to promote financial stability by enhancing public confidence in the safety of deposits and promoting the stability of member institutions. In addition, the Central Bank introduced reforms which became effective April 2023, relating to the freeing up of the Prime Lending Rate (PLR) to be independently determined by individual commercial banks to facilitate market competition and fair pricing of credit and other lending products. In response, the Bank introduced the Absa Prime Lending Rate (Absa PLR).

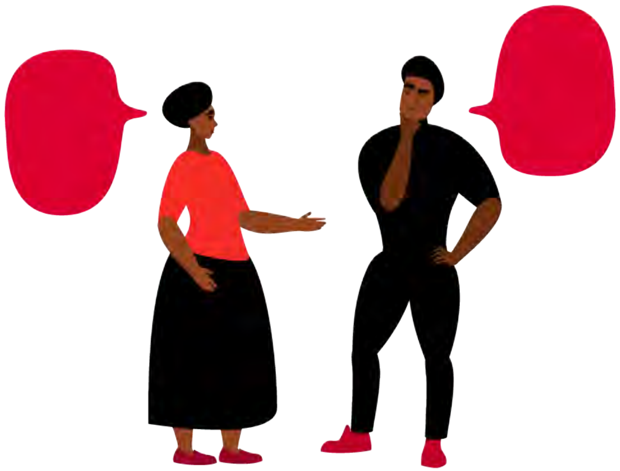
The financial services sector is also undergoing regulatory changes to pension funds allocations for on and offshore investments. Following the changes in the Retirement Funds Act (2022) relating to the Pension Prudential Rules–Fund Investment Rules (PFR2) the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) directed that the pensions domestic investment limits be increased up to 50% of total assets value over a five-year period, up from 30% in a gradual approach. The revised regulations came into effect on 1 June 2023. The regulations are meant to increase funding in the local market and support the growth ambitions of the country.

[1] The World Bank (2024) "The World Bank in Botswana." Accessed May 2024 ,8. https://www.worldbank.org/en/country/botswana/overview
[2] The 2023 Edelman Trust Barometer
[3] Engage for Good. n.d. "Cone Communications CSR Study." Accessed May 2024 ,8. https://engageforgood.com/2017-cone-communications-csr-study/

Our stakeholders' needs and expectations

Engagement and quality of relationships

The quality of our relationships with stakeholders impacts our ability to fulfil our purpose; therefore, various mechanisms are used to measure the quality of our relationships.



Key findings

Our dedication to building relationships with stakeholders has greatly improved our reputation as confirmed by the recent GlobeScan survey results[1]. This upward trend is the greatest since the program's inception, indicating a substantial change in our approach to engagement. This progress is attributable to the successful alignment with our purpose, which is now evident in our work and communications. As a result of the constructive collaboration created by this alignment, stakeholders' trust has been enhanced by a single voice and consistent messaging.

Looking across GlobeScan's key indicators, the survey highlighted that Absa has improved its position across all four indicators of value creation, stakeholder engagement, trust, and advocacy. Trust as an indicator has significantly improved and showing healthy score on sub themes of affinity overall impression and advocacy. The Bank took the lead in trust stakes in the market overtaking the closest competitor.

The Bank is pleased to note that our stakeholders are conscious of Absa's contributions outside of banking, more has to be done to maximise our influence and guarantee that everyone is aware of our work in society, thought leadership, and sustainability.

Value creation index:	Stakeholder engagement index:	Thick trust index:	Active advocacy index:
▲ 71.7% (2022: 69.6%)	▲ 72.4% (2022: 65.5%)	▲ 76.9% (2022: 73.5%)	▲ 72.7% (2022: 68.4%)
benchmark 74.6%[2] (2022: 73%)	benchmark 72.4%[2] (2022: 69.2%)	benchmark 75.2%[2] (2022: 69.4%)	benchmark 72.6%[2] (2022: 70.7%)

We consider how our strategic actions affect our broader stakeholders. Our Absa culture creates trust, inspires innovation and aligns with our business partners and wider stakeholders. We recognise the critical interdependency between value creation, preservation and erosion across our resources and relationships.

[1] A global insights and advisory consultancy.
[2] Absa ARO Benchmarks

Our stakeholders' needs and expectations continued

Investor community

Who they are

- One non-public shareholder being Absa Group Limited holding 577 964 146 total shares, representing 67.82%
- 2 969 public shareholders holding 274 197 106 total shares, representing 32.18%. These include retail investors, asset managers, pension funds, and corporate holdings 27% shareholding by local companies and 72% by foreign companies
- Investment analysts
- Prospective investors.

Needs and expectations

- Strong operational performance, including revenue, dividend and earnings growth and high returns
- Maintaining a solid balance sheet (well provisioned, strong capital and liquidity)
- Adequate, sustainable shareholder returns
- Sound risk management
- Transparent reporting and disclosures and effective communication
- Sound sustainability practices.

Our response

We effectively manage risk and create sustainable returns by:

- Defending the Bank's market share
- Ensuring the Bank is a well-diversified entity
- Offering improving shareholder returns and a sustainable dividend pay-out ratio
- Delivering a solid balance sheet-strong capital, liquidity levels and funding levels to support growth
- Improving our productivity and operating efficiency
- Enhancing shareholder engagements and company disclosures.

Quality of relationship

Needs improvement


Strong

Our ranking is based on a declared final dividend of 44thebe per share (2022: 40thebe per share) and growth in share price was at 23.06%. Furthermore, during this period we had a total of 8 455 486 trades (2022: 4 978 957) at a total value of P49.9million (2022:P24.1million). However, we achieved a return on equity of 21% compared to 23% in 2022, and a cost to income ratio of 57.1% (2022:53.1%). Enhanced disclosures and shareholder engagements ensured all resolutions at our AGM successfully passed.

Our stakeholders' needs and expectations continued

Clients

Who they are

- **Individuals:** entry-level to high net-worth individuals, across all ages
- **Businesses:** sole proprietors, SMEs, large corporates and multinationals
- **Public sector:** local and national government and state-owned enterprises
- **Various other legal entities** such as development finance institutions
- **Other financial institutions** trusts, non-governmental entities and associations.

Needs and expectations

- Cost-effective, convenient and innovative financial services
- Credible brand, trustworthy relationship, safety and protection against fraud, encompassing physical and data security
- Responsible banking with transparent pricing
- Excellent client service and advice
- User-friendly and reliable systems and the ability to transact through their chosen platform
- Best practice safety measures for client wellbeing.

Our response

We deliver innovative technologies and propositions to help our clients empower their tomorrow by:

- Improving access to financial services and local, regional and global markets
- Deepening relationships through a life-stage/ecosystem approach
- Providing an extensive and accessible network combining physical outlets, call centres, digital platforms and strategic partners
- Protecting data privacy and ensuring cybersecurity through robust technology and data management.

Quality of relationship

The Bank's customer experience index scores improved across all segments. Retail banking 102 (2022: 81), Business Banking 88 (2022: 54), and Corporate and Investment banking 69 (2022: 63).

Our stakeholders' needs and expectations continued

Employees

Who they are

- 1 039 employees
- 70.8% women and 29.2% men
- 34.1% below the age of 40 and 84.8% below the age of 50
- 1 recognised employee trade union, covering 49% of employees.

Needs and expectations

- An ethical workplace with opportunities to contribute to society and one that is supportive of environmental and social sustainability
- Leadership that enables accountability for decisions at the right level
- A diverse, inclusive and supportive workplace where all employees are treated equitably without bias
- Fair and responsible pay, with market-related terms of employment, remuneration and benefits
- Training, development, and career opportunities
- A safe workplace.

Our response

We create an environment where employees can fulfil their potential and deliver excellence to our clients by:

- Implementation of phantom share scheme
- Embarking on a culture transformation aimed at shaping values, beliefs, and behaviors to align with the strategic goals
- Attracting and retaining the best talent
- Implementing market specific strategies that enable fair and responsible pay
- Accelerate improvements in the work environment leveraging the colleagues experience feedback
- Encouraging self-led development and opportunities for career progression
- Providing a comprehensive wellness programme and supporting different ways of work.

Quality of relationship

Our employee experience score improved to 55.8% in 2023 from 52.9% in 2022. In addition the Bank launched the employee phatom share scheme with over 1 000 eligible individuals participating in the scheme.

Our stakeholders' needs and expectations continued

Regulators

Who they are

- **Bank of Botswana (Central Bank):** regulatory compliance, supervision, approvals, notifications and directives
- **Botswana Stock Exchange (BSE):** adhering to listing requirements
- **Financial Intelligence Agency (FIA):** reporting suspicious activities and transaction monitoring
- **Non-Bank Financial Institutions Regulatory Authority (NBFIRA):** regulates subsidiary businesses being Absa Insurance Services and Absa Securities Botswana
- **Botswana Accountancy Oversight Authority (BAOA):** accounting and auditing services oversight. Promotes standard, quality and credibility in the provision of financial information
- **Botswana Gambling Authority:** regulates all promotional and reward campaigns across products, mostly in our Retail business.

Needs and expectations

- Compliance with all relevant laws and regulations
- Financial system stability spanning financial soundness to fair treatment of clients
- An ethical work environment
- Contribution to governmental development plans, national priorities, and the fiscus through fair tax payments.

Our response

We support the creation of an environment that facilitates sustainable growth for all. We do this by working with regulators and providing input into policymaking and the development of regulations.

- Setting governance as a non-negotiable priority
- Comprehensive regulatory change management programme
- Facilitating responsible banking by ensuring appropriate due diligence is followed
- Maintaining a transparent and constructive relationship with regulators.

Quality of relationship

Needs improvement — FY22 — FY23 — Strong

We seek to maintain appropriate relationships with regulators. We see governance as a non-negotiable priority and aim to mitigate compliance risk, which includes risk of financial crime and conduct risk. Absa way code of ethics training completion rate in 2023 was 100% (2022: 100%) and preventing financial crime training 90.6% (2022: 98.9%).

Our stakeholders' needs and expectations continued

Society

Who they are

- Individual citizens
- Communities
- Civil society organisations
- Non-governmental organisations
- Media
- Suppliers

Needs and expectations

Meaningful contribution towards scalable and innovative solutions that address societal and economic challenges. This includes supporting key priority interventions related to disaster relief, national development plans, the UN SDGs and the global sustainability agenda.

Our response

Our societal interventions are aimed at meaningfully contributing to help create inclusive and sustainable economic growth aimed to impact our communities. We do this through:

- Preparing young people for the future of work
- Advancing financial literacy and inclusion
- Providing products and services with a positive social impact
- Supporting an inclusive and responsible supply chain
- Minimising the impact of our business and carbon footprint on communities and society
- Supporting national development objectives and policies to stimulate inclusive growth, generating, and distributing economic value.

Quality of relationship

Our ranking is based on the total economic value distributed to suppliers and communities. In 2023, economic value to suppliers increased to by 23% and our community spend was P874 000.

Our stakeholders' needs and expectations continued

Planet

Who they are	**Needs and expectations**
The natural resources on which we, our stakeholders and future generations depend.	• Comprehensive climate-change response, increased transparency in risk management and sustainability-related policies and standards • Proactive management of the environmental and societal impacts of our business to encompass lending practices and our operational footprint • Mobilising funds to support the just transition to a low-carbon economy and other environmental priorities such as circular economy and responsible consumption.

Our response

We seek to address climate change and play an active role in minimising pressure on nature's resources by:
- Supporting clients in responsible consumption and the transition to a low-carbon economy
- Advancing our environmental and social risk management practices and capabilities in climate risk management
- Minimising our direct environmental impacts.

Quality of relationship

Needs improvement


Strong

The Bank was first to market to publish the first Sustainable Finance Issuance Framework (SFIF) and being the first commercial bank to list the first ever sustainable bond on the Botswana Stock Exchange (BSE) aimed at funding projects aligned to green and social impact.

Economic value created and distributed

	2023 P'000	2022 P'000	2021 P'000
Total income	2 115 496	1 858 033	1 649 201
- Impairments	(76 560)	(10 422)	(79 475)
- Non-controlling interest-ordinary shares	(200 987)	(212 027)	(161 734)
= **Total value available for distribution**	**1 837 949**	**1 635 584**	**1 407 992**
Total economic value distributed	**1 837 949**	**1 635 584**	**1 407 992**
- Suppliers	500 989	407 810	388 651
- Communities	874	2 060	1 064
- Employees	633 862	485 974	445 966
- Government	227 547	213 397	165 602
- Investors	465 000	339 000	258 533
- Retained for reinvestment	230 568	396 538	313 187

We recognise the critical interdependency between value creation for Absa and value creation for our investors and other key stakeholders.

Our material matters

Risk management overview

The Bank actively identifies and assesses risks arising from internal and external environments while proactively identifying emerging risks. To ensure effective implementation, we monitor our consolidated response as follows:

- Recognise the importance of a strong risk culture, which is integral to the Bank's culture
- Consider key risks, clear ownership and accountability, and Bank-wide risk coverage
- Support the Bank's strategy with a coherent risk management operating model and appropriate risk practices, tools, and techniques
- Uphold the risk governance structure at bank-wide, business unit and functions level, with clear Board escalation and oversight
- Follow comprehensive and structured processes for evaluating, responding to and monitoring risks
- Oversee and manage Bank-wide assurance through a combined assurance model with clear accountability across the three lines of defense.

The risk strategy is developed alongside the Bank strategy. It forms part of the strategic planning process to ensure the business strategy is achievable within the risk appetite, and considers risk information in the organisation's decision-making and planning process.

Risk management priorities

For the Bank to stay ahead of the various critical risks, it has developed risk management practices and priorities. These revolve around ensuring financial stability and compliance with regulation among others to help the bank safeguard its assets, maintain customer trust and operate efficiently within the complex financial landscape. Priorities that have been set include the following:

- Ensuring that all principal risks as defined in the Bank's Enterprise Risk Management Framework are adequately managed within set risk appetite considering both internal and external factors, including ongoing geopolitical tension brought on by the Russia-Ukraine war as well as conflict in the Middle East
- Continued refinement and enhancement of control, efficiency, as well as operational resilience across critical processes in the Bank
- Engaging regulatory authorities and other stakeholders on upcoming regulatory changes, to ensure the Bank proactively positions itself to comply with all requirements
- Aligning risk objectives to support our customers in an efficient, responsible, and sustainable way while ensuring that shareholder value remains healthy.

Risk appetite

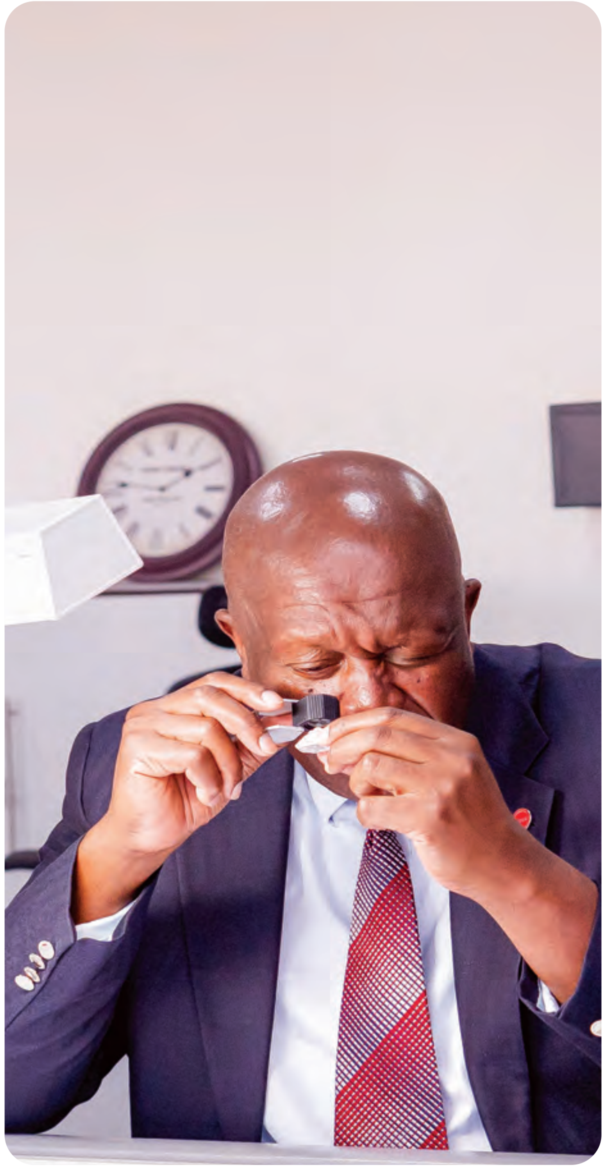
There were no undue or unusual risks taken outside of our tolerance levels.

The Bank's risk appetite is defined as the risk that the Bank is prepared to accept to meet strategic objectives. It explicitly defines the risk boundaries within which management is expected to operate under business-as-usual and stressed conditions when pursuing the business strategy.

Our risk appetite is stated qualitatively in terms of risk principles and risk preferences and refers to the types of risk the Bank actively seeks as well as those it accepts and avoids. In addition, the maximum amount of risk the Bank is prepared to accept to achieve its business objectives is defined using a range of quantitative metrics relating to capital adequacy, earnings volatility, and liquidity. These are cascaded to the level of principal risk.

Additional qualitative statements and risk appetite metrics relevant to the risk types and business units are defined to align strategy execution and support the Bank's defined risk appetite.

The Bank uses the below metrics to quantify and monitor potential risks in relation to the above listed themes. Monitoring of these metrics enables us to assess our portfolios allowing for proactive risk management strategies.



Our material matters continued

Risk metric		Description
Capital	Total Capital Adequacy Ratio (%)	The bank aims to have sufficient capital supply to remain within risk appetite and above minimum regulatory total capital adequacy ratio post management actions following a severe yet plausible stress.
	Tier 1 Capital Adequacy Ratio (%)	The bank aims to have sufficient capital supply to remain within risk appetite and above minimum regulatory Tier 1 capital adequacy ratio post management actions following a severe yet plausible stress.
	Common Equity Tier 1 Adequacy Ratio (%)	The bank aims to have sufficient capital supply to remain within risk appetite and above minimum regulatory CET 1 capital adequacy ratio post management actions following a severe yet plausible stress.
Earnings	Earnings–at-Risk	With 90% confidence, the reduction in the ABBL's pre-tax earnings will not exceed 80% following a severe stress event.
	Loan Loss Ratio (bps)	The bank aims to prevent undue concentration and tail-risks (large, unexpected losses) by maintaining a well-diversified credit portfolio.
Liquidity	Liquidity Coverage Ratio (%)	The bank has sufficient high quality liquid assets to survive a significant stress over a 30-day period.
	Net Stable Funding Ratio (%)	The bank maintains a stable funding profile where available stable funding is adequate to meet its required stable funding.

We also routinely assess the impact of our business model, operations, and strategy on the external environment.

Risks from our operating context

Macroeconomic risks remain heightened and are expected to continue impacting global markets and the outlook of the Botswana market. The Bank's focus remains on proactive risk and capital management to positively position itself for changes in the operating environment. Risks are actively identified, prioritised, and our consolidated response is monitored to ensure effective implementation achieves the targeted result.

In an uncertain macro environment, stress testing and scenario analysis are critical tools in safeguarding financial stability and enhancing risk management practices. These methodologies are deployed by the Bank to assess its resilience and susceptibility to adverse conditions. The knowledge gained from these exercises allows management to optimise capital and liquidity, adapt strategies, and ensure the Bank is better equipped to navigate the ever-changing economic landscape.

Current and emerging risks[1]

(1) Geopolitical instability and conflict

Risk trend ▲

- Subdued prospects for global economic activity due to adverse impact of geopolitical tensions and associated global supply disruptions, increased geo-economic fragmentation, and rising public and corporate debts levels
- Inflation is expected to remain within the objective range in the medium term. However, there are possibilities of a higher rise in inflation than anticipated due to the projected increase in international oil and food prices
- The recent ban on Russian diamonds by G7 countries could further exacerbate the challenges facing the diamond market. The proposal to verify the origin of diamonds in Belgium is expected to increase processing times and incur additional costs. This verification process may negatively impact Botswana's beneficiation trajectory and impede economic growth.

Mitigation and opportunities

- Constant monitoring and agile approach to positions
- Preserve the Bank's liquidity and capital
- Diversification across business functions, products and sectors mitigates impacts.

Links to principal risk

- Credit
- Market
- Capital and liquidity
- Strategic, sustainability and reputational.

[1] These risks have a material impact on the Bank and have been identified through a prioritisation exercise, considering estimated severity and likelihood. The Bank continually monitors and assesses the environment for other risks that may have potential impacts.

Our material matters continued

(2) Consumer and commodity stress

Risk trend ▲	**Links to principal risk**
• Ongoing stress faced by consumers due to high cost of living and the inability to recover due to weak local and global economics result in increased defaults and reduced lending and deposits growth and retention. Business and corporate clients may not be able to sustain current resilience.	• Credit • Capital and liquidity • Strategic, sustainability and reputational • Model • Compliance.
Mitigation and opportunities • Close monitoring of Retail Banking (RB) and Corporate and Investment Banking (CIB) clients for signs of distress with early actions to mitigate • Provide consumer support as well as products better suited to clients' needs based on current environment • Capture evolving risk through focused model updates.	

(3) Operational resilience pressure

Risk trend ▲	**Links to principal risk**
• Continuously evolving threats to operational resilience from fraud, opportunistic crime, data loss and cyber-attacks as well as scarcity of skills.	• Capital and liquidity • Strategic, sustainability and reputational • Model • Compliance • Operational and Resilience.
Mitigation and opportunities • Continue resilience investments in critical processes and third-party risk management • Maintain successful cybersecurity testing • Further develop crisis management scenario planning and testing.	

(4) Strategic, execution and business risks are heightened

Risk trend ▲	**Links to principal risk**
• Constantly changing operating environment, combined with heightened volatility and challenging global and domestic conditions, and evolving client needs may impact strategy execution while potential adverse impact of large strategic change projects may result in poor delivery and resource strain.	• Credit • Capital and liquidity • Strategic, sustainability and reputational • Operational and Resilience.
Mitigation and opportunities • Monitor and manage risk strategy and risk appetite to identify and mitigate risks as they arise while supporting customers • Maintain focus on operational resilience and business continuity management • Continue investing in delivering scalable digital solutions • Ensure change projects are properly scoped, fully capacitated, and closely monitored through senior oversight, including independent quality assurance.	

Our material matters continued

(5) Environmental risks

Risk trend ▲

- Increasing pressure to integrate sustainability risk management practices with business activities due to stakeholder expectations. Challenges include the uncertain severity of the impact of climate change (including the developing El Nino pattern), along with emerging risk tied to greenwashing affecting investors, suppliers, and clients. Ensuring a just transition balancing environmental sustainability and social needs is increasingly important.

Mitigation and opportunities

- Reduce the bank's direct environmental footprint in line with its environmental action plan
- Embed processes to encourage customers to adopt business strategies and practices that align with the bank's sustainability objectives
- Continuously enhance credit risk data, models and scenario analyses to assess the impact of climate change risk
- Continue to offer sustainable finance options to promote sustainable projects.

Links to principal risk

- Credit
- Capital and liquidity
- Strategic, sustainability and reputational
- Operational and resilience
- Compliance.

(6) Increased compliance risk due to new and emerging regulations and oversight

Risk trend ▲

- Increasing pace and evolving complexity of regulatory and statutory requirements including the Data Protection Act impact the current business model. Heightened scrutiny of regulators may require increased capacity to address additional matters
- Potential long-term impact of regulatory changes on the business strategy and performance increases the need for regulator and industry capacity.

Mitigation and opportunities

- Maintain a forward-looking approach to evaluate, respond to and monitor change
- Engage with regulators and other stakeholders on regulatory developments
- Build a robust control environment of compliance
- Develop systems with the agility to accommodate change
- Understand the impact of future requirements on the current business model and practices, and proactively make necessary changes.

Links to principal risk

- Credit
- Market
- Capital and liquidity
- Strategic, sustainability and reputational
- Model
- Operational and resilience
- Compliance.

Our material matters continued

Materiality determination process

As a financial services provider, we play a pivotal role in the economic activity of individuals, businesses, and the country, helping to create, grow and protect wealth through partnerships to drive economic development. Many factors affect our ability to create value, including our operating environment, stakeholders, responses to risks and opportunities and our chosen strategy. This report provides the context for what we have deemed our material matters-those which can significantly affect our ability to create or preserve value or lead to value erosion over the short, medium, and long term. Our materiality determination process is discussed and illustrated as follows:

1. Identifying a list of potential matters considering:

- *Our external environment*
- *Stakeholders' legitimate needs and expectations*
- General and industry-specific assessments.

2. Considering the relevance of identified matters by:

- Validating potential matters through local, regional, and global peer review
- Understanding their significance within our industry through scrutiny of thought leadership
- Engaging with various internal functions, including strategy, risk, marketing and corporate relations, company secretariat, sustainability, and citizenship
- Noting whether matters are key topics of discussion at Board committee meetings
- Understanding the root causes of changes in performance.

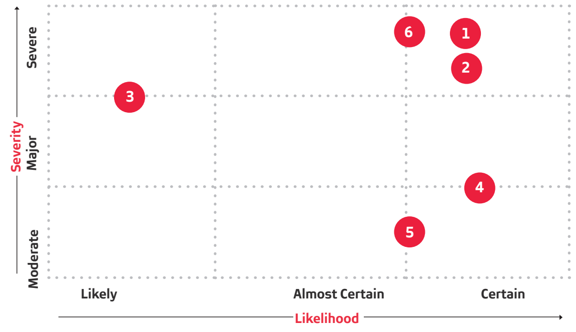
3. Assessing the importance of a matter, taking into consideration:

- Our deep-dive strategy review process, including a detailed business environment assessment, alongside risk and opportunities
- The likelihood of a risk or opportunity coming to fruition
- The arena of the effect, be it internal or external
- Our risk appetite framework ensures a balanced approach between future growth and responsible risk management
- Quantitative and qualitative factors that influence the risk appetite of each principal risk
- Our integrated planning process considers:
  - Potential opportunities and prospects
  - Responses to changing consumer needs and dynamics
  - Resource needs and relative availability
  - The trade-offs between possible responses
  - Timing and execution requirements
  - The importance to, and impact on, our strategy
  - Contribution to strengthening Absa's brand equity and reputation.

4. Prioritising material matters enables us to respond quickly to risks and opportunities specific to Absa and our strategic intent, magnifying our ability to create value. Prioritising the risks and opportunities arising from the operating context is based on our Risk and Issue Classification Matrix (RICM).

As a formula, RICM is expressed as: likelihood x severity of impact = risk classification. When assessing the severity of potential impact, we consider financial and non-financial impacts. We consider non-financial impact types as they relate to regulators, clients, reputation, our service, and employees.

Our material matters are prioritized as per the graph below:



Our material matters continued

Unpacking our material matters

Accelerating economic momentum [1], [3]

Facing multifaceted challenges, from declining GDP growth to increased sector volatility, Absa is leveraging our organisational resilience to navigate the risks associated with the current economic climate.

Complexity and challenge characterise the current economic climate. The IMF World Economic Outlook (April 2024) projects global GDP growth of 3.2% in 2024, in line with the estimate for 2023 growth. Concurrently, the disparity in wealth has intensified, with the top 1% of the wealthy accruing two-thirds of the global wealth, while global purchasing power experienced its first decline of the century in 2022.[1]

The financial services sector is grappling with volatility, evidenced by the collapse of three banks in the US, leading to increased regulatory scrutiny. Heightened economic pressure is also bringing concerns over potential fraud and security threats to the fore. Asset values are likewise under stress as demand decreases and confidence in the market diminishes. In the first half of 2023, high global inflation propelled monetary authorities to tighten policies, leading to surging interest rates that curbed growth, and amplified recession fears. With the peak of inflation behind us, advanced economy central banks are discussing rate cuts, however, the persistence of elevated rates for longer periods has delayed the impact of the anticipated relief on consumers.

Botswana has also been impacted by the global environment with a slowdown in diamond sales driven by slow China growth as well as sluggish demand from the USA. However, relative to peer nations within sub-Saharan Africa, inflation has dropped significantly with Bank of Botswana cutting the Monetary Policy Rate by 25 basis points in December 2023. The upcoming 2024 election remains one political factor which will be monitored for impact on the economy. From a consumer perspective, the increasing cost of living, coupled with stagnant incomes, is significantly impacting disposable income.

Our comprehensive strategy integrates robust liquidity and balance sheet management with sophisticated risk modelling. We acknowledge that pursuing growth in the face of significant economic challenges is ambitious. However, we continue to purposefully seek out the opportunities presented.

What does it mean for Absa?

Opportunities

Creating a balance in revenue mix across our portfolio.	Promoting financial inclusion through targeted and relevant financial advice and products.	Delivering holistic and integrated product solutions to clients.
Deepening client relationships.	Innovating products, services and pricing structures.	Increasing non-interest revenue.
Improving productivity in resource management.	Expanding the non-traditional acquisition channels across the business.	Driving improved productivity.

Principle risks affected

Credit | Market | Capital and liquidity | Strategic, sustainability and reputation| Model | Operational and resilience | Compliance

[1] https://www.oxfam.org/en/press-releases/richest-1-bag-nearly-twice-much-wealth-rest-world-put-together-over-past-two-years

Our material matters continued

Possible business model impacts and effects on capitals

Financial capital

- ▼ Within a constrained environment, we recognise that there is an increased risk of credit defaults, inflationary pressures on our cost base and margin pressures.
- ▼ The decrease in policy rate by the central bank can result in lower net interest income.
- ▼ Providing additional support to constrained clients affects margins.

Manufactured capital

- ▼ Physical footprint gives way to more efficient and cost-effective digital channels, possibly impacting human capital.

Social and relationship capital

- ▲ Increased financial inclusion
- ▲ Client primacy and brand affinity.

Scorecard metrics affected

- Revenue
- Fee and commission income
- Non-funded income (CTI)
- RoE
- Capital adequacy
- Active customers
- Transactionally active customers.

Other metrics affected

(value over time)

- Credit loss ratio (CLR)
- Total deposits
- Gross loans and advances.

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society.

SDGs impacted

SDG 8 SDG 10 SDG 16

Linkages to our strategic aspirations

Diversified revenue streams with deliberate transactional led growth | The primary partner for our clients | An active force for good in everything we do.

State-to-sector interconnectedness [1], [3], [6]

We navigate the complexities of global geopolitical dynamics and their impact on our market, focusing on fostering resilience and mitigating risks to ensure sustainable growth.

Global economic stability is being tested by geopolitical events revealing the deep interconnectedness between state actions and sectoral impacts. The conflict between Russia and Ukraine, for instance, has led to substantial war-related losses estimated at USD500billion for Ukraine and has escalated food and fuel prices worldwide.[1] This, along with the 2023 Middle East conflict, has magnified global tensions, exemplifying how regional conflicts can ripple through the international economy.

Amid the current geopolitical landscape, tensions between superpowers, especially the US and China, present a considerable threat to the global economy. In this environment of escalating tensions, emerging markets face significant pressure. The slowdown in the country's economic growth was mainly driven by the deteriorating global economic conditions, and geopolitical events, including the conflict in Ukraine, and slow down in China which have negatively impacted demand for diamond jewelry and rough diamonds.

We are committed to fostering resilience in our market amid ongoing volatility by facilitating a supportive flow of capital to empower Africa's tomorrow, with a specific focus on Botswana. Our risk management strategies are designed to anticipate and mitigate risks, including those arising from credit losses due to defaults and counterparty risks.

[1] https://www.worldbank.org/en/news/press-release/2024/02/15/updated-ukraine-recovery-and-reconstruction-needs-assessment-released#:~:text=The%20RDNA3%2C%20which%20covers%20damages,agriculture%20as%20the%20most%20affected

Our material matters continued

What does it mean for Absa?

Opportunities

Facilitating trade among African countries.	Contributing to a resilient and stable financial market system by following internationally accepted standards.	Balancing robust risk management with growth aspirations across selected sectors in our market.
Supporting government policies in the collective interests of societies.	Proactively managing our risk exposure.	Ongoing enhancement of models to better understand the risk-reward trade-offs.

Principle risks affected

Credit | Market | Capital and liquidity | Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Financial capital

- ▼ Cost of doing business in country escalates
- ▼ Possible reduction in international trade and direct foreign investment.

Social and relationship capital

- ▼ Negative investor sentiments
- ▼ Damaging reputation and standing in the international community.

Scorecard metrics affected

- Revenue
- RoE
- Capital adequacy
- CTI

Other metrics affected

(value over time)

- Total deposits
- Gross loans and advances
- Credit loss ratio

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 8 SDG 16

Linkages to our strategic aspirations

Diversified revenue streams with deliberate transactional led growth.

Supporting social cohesion [2], [3], [6]

In the face of rising social inequality and instability, we are committed to enhancing social cohesion through targeted initiatives that promote financial inclusion and socioeconomic stability.

The erosion of social cohesion is a complex issue, impacted by a multitude of factors. Financial pressure driven by economic uncertainties can fuel social unrest, particularly in regions with upcoming elections such as Botswana. According to PwC's Africa Business Agenda ESG Perspective 2023[1], approximately 46% of sub-Saharan African business leaders anticipate facing moderate to high threats from social inequality in the next year, compared to 26% globally. This includes fears of social and political instability.

Moreover, societal divisions and large-scale involuntary migration due to climate-related and geopolitical factors further strain social cohesion. In sub-Saharan Africa, concerns about social inequality, including disparities in income, gender, race, and ethnicity, contribute to social and political instability. This is exacerbated by an expected increase in extreme poverty through 2030. Wealth inequalities in Botswana remain elevated with the latest Gini score at 53.3% [2].

The erosion of social cohesion poses significant risks to the Bank, potentially impacting our operations through increased social unrest, economic instability, and loss of consumer confidence due to high inequality. Such challenges could lead to disruptions in the business environment and affect our ability to serve our clients effectively. Recognising these risks, the Bank proactively addresses social cohesion erosion through targeted initiatives and expanding financial inclusion to bolster economic empowerment in lower-income groups. Our approach includes offering innovative financial products and services tailored to these challenges, complemented by consumer education and financial literacy programmes. Through these actions, we aim to create a more equitable and inclusive environment, supporting our resilience and contributing positively to the societies in which we operate.

[1] africa-business-agenda-esg-perspective-2023.pdf (pwc.co.za)
[2] https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country.

Our material matters continued

What does it mean for Absa?

Opportunities

Promoting financial inclusion.	Enhancing client primacy and extended client life journeys.
Fostering equal opportunities and poverty eradication.	Diversifying revenue streams through initiatives aligned with positive social outcomes.

Principle risks affected

Strategic, sustainability and reputation | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Financial capital

- ▼ Increased loss from disruption and damage
- ▼ Investment in communities.

Human capital

- ▼ Preservation of available job opportunities.

Social and relationship capital

- ▲ Reputational gains supporting communities
- ▲ Reputational gains resulting from continued resilience investments and a capacitated, converged security office protecting clients
- ▲ Client primacy.

Scorecard metrics affected

- Financial literacy

Other metrics affected

(value over time)

- Customer education participants
- ReadytoWork participants
- Economic value to communities

Value to others

Stakeholders impacted

Investors | Clients | Employees | Society

SDGs impacted

SDG 5 SDG 8 SDG 10 SDG 16

Linkages to our strategic aspirations

Diversified revenue streams with deliberate transactional led growth | The primary partner for our clients | A digitally powered business | Winning, talented and diverse team | An active force for good in everything we do.

Our material matters continued

Digital dependencies and vulnerabilities [6]

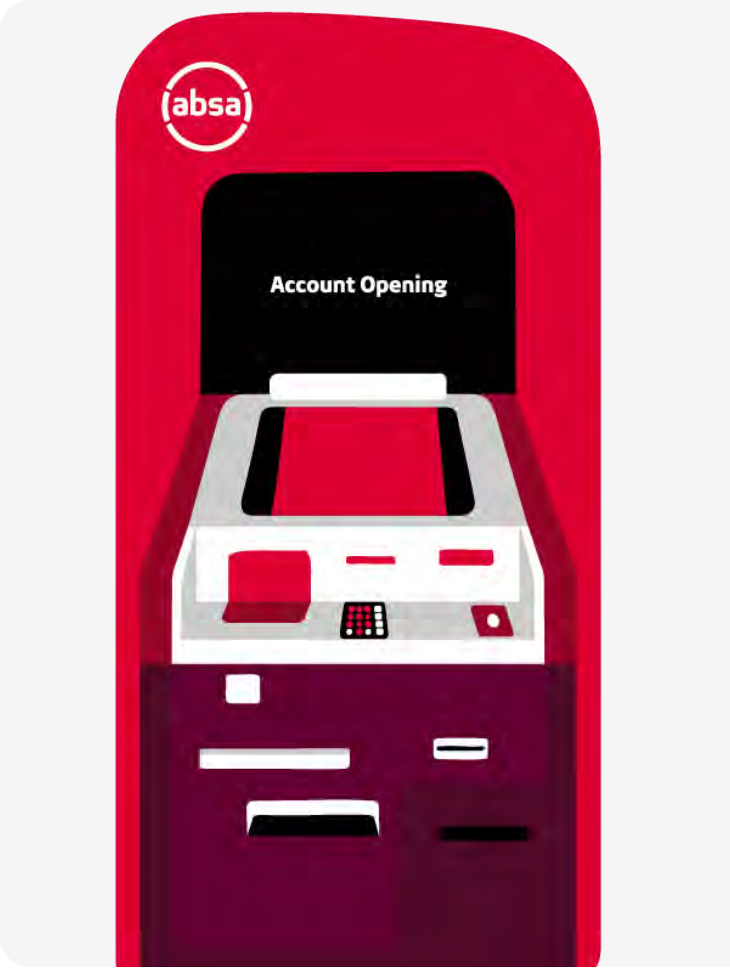
As the banking industry evolves in the digital age, we are leveraging technology to provide secure, innovative, and client-centric digital banking solutions while enhancing cybersecurity.

The digital era has ushered in a rapid transformation of competition within the financial services sector. Technological advancements in AI, large language models, biometrics, digital currencies and the imminent arrival of quantum computing are reshaping the operational landscape. These developments are breaking down traditional barriers and altering the competitive field, with new entrants, including fintechs, mobile operators, offering low-cost digital solutions that disrupt conventional revenue streams. These newcomers, along with established institutions, are increasingly focusing on innovation and strategic partnerships to meet the evolving preferences of a client base that favours digital banking. Client expectations are also shifting, influenced by the best digital experiences across industries.

The sector is also increasingly adopting a mobile-first approach to financial products and services, especially with the expansion of 5G and satellite coverage, capitalising on the rise in digital adoption. This approach aims to extend reach, providing accessibility and convenience to clients. However, the shift towards digitalisation and increased connectivity juxtaposes localised supply chains amid global data and service trade. The digitisation of client journeys has also evolved beyond mere sales and service channels, now permeating all demographics. The impact of rapid payment systems, for example, is most strongly observed in the informal sector.

The shift towards digital operations has brought about advanced capabilities and efficiencies, though it also introduces new challenges in managing sophisticated cybersecurity threats. As organisations embrace cloud computing, the focus on safeguarding centralised data becomes paramount, given its numerous benefits. Additionally, the current economic landscape has led to an uptick in cyber activities such as fraud and ransomware, necessitating vigilant cybersecurity measures. The emergence of AI technologies, while transformative, requires careful oversight to prevent misuse. The Bank is proactively adapting to these dynamics, continually enhancing our defences to maintain the integrity and security of our data.

A key focus for the Bank is fortifying cybersecurity measures to address the complex threat landscape and protect sensitive data and infrastructure. We recognise significant opportunities to automate risk management activities and enhance client service and experience through continued AI adoption and payment platform innovation. This includes commercialising the data we possess and extracting further value from our recent data technology investments, ensuring a proactive and secure approach in this rapidly evolving digital financial environment.



Our material matters continued

What does it mean for Absa?

Opportunities

Adding new digital capabilities complemented with enhanced security to the Absa mobile banking app supports increased digital adoption rates.	Capitalising on alternative channels (agency banking, USSD, mobile and internet banking and merchant acquiring).	Enhancing primacy through client service that is safe, reliable and seamless.
Enabling greater access to convenient self-service options for clients.	Increasing agility, efficiency and cost optimisation through cloud computing and AI.	
Growing revenue from digital products and services using mobile technology and fintech partnerships.	Furthering financial and digital inclusion.	

Principle risks affected

Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Financial capital

- Increased transaction volumes and higher digital inclusivity affecting fees
- Increased productivity over the medium to longer term
- Investment in technology infrastructure in the short to medium term
- Financial loss as a result of potential fraud, cybercrime and data loss.

Human capital

- Scarcity of digital and technology skills, resulting in intense competition for talent
- Helping to reskill the existing workforce drives retention and meets fundamental business needs while recognising that being digitally focused could impact job creation
- Hybrid work improving employee value proposition.

Social and relationship capital

- Increased reputational risk as a result of misinformation, fraud, data leakage and other security breaches
- Closing the digital divide and financial inclusion.

Intellectual capital

- Increased risk of data loss and dependency
- Future-fit digital ecosystems.

Scorecard metrics affected

- Digitally active customers
- RoE
- CTI

Other metrics affected

(value over time)

- Total severity 1 and 2 incidents

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 8 SDG 10

Linkages to our strategic aspirations

The primary partner for our clients | A digitally powered business | Winning, talented and diverse team | An active force for good in everything we do.

Our material matters continued

Climate change and a just transition [4]

The Bank continues making strides in sustainable finance having issued the first Sustainable Bond on the Botswana Stock Exchange and supporting Botswana's journey towards environmental and economic resilience.

The heightened multi-stakeholder focus on climate change and the pursuit of a just transition is set against a backdrop of escalating natural disasters and a growing emphasis on sustainability considerations. In 2022, the value of global sustainable investing assets amounted to USD30.3trillion[1]. However, the year also witnessed USD313billion in global economic losses from climate-related catastrophes, aggravating food, and water security issues.

Across Africa climate change, environmental vulnerabilities, social disparities, and corporate governance issues present significant challenges to growth. These factors critically affect agriculture, water, health, and energy. Despite the urgency, African companies have been slow to adopt data-driven sustainability strategies to reduce emissions and mitigate climate risks. Within this context, stakeholders are intensifying their demands for businesses to integrate sustainability risk management into their operations. This includes embedding effective processes, metrics, and monitoring systems to manage climate risks, clarifying costs and engagement in the just transition as well as setting green targets for owned assets.

Moreover, the risk of greenwashing where companies give a misleading impression of their environmental impact is a concern for investors. It is critical for businesses to back up sustainability claims with tangible actions to avoid reputational damage and potential regulatory scrutiny.

Climate financing and advisory services are becoming crucial as companies navigate the complexities of climate change mitigation. In sub-Saharan Africa, over half of the companies expect moderate to severe impacts from climate risks on their cost profiles in the next year, slightly higher than the global average, according to PwC[2].

The Bank is committed to being an active force for good in everything we do. We have made decisive strides in reorienting our financial services to support a greener economy. Our approach to managing environmental impacts involves sector-specific pathways, including exclusion lists for our identified sensitive sectors which will provide the necessary data to inform our emissions reduction pathways and support the financing of renewable energy initiatives.

As we proactively integrate climate risk considerations into our business strategy, we also embrace the opportunities that arise from this approach. As a financial institution, we seek to allocate and facilitate capital that supports our overarching ambitions, acknowledging our role as stewards of Africa's future, especially Botswana.

We are also dedicated to supporting our clients in their just transition journeys, addressing the country's energy challenges, and promoting sustainable, inclusive economic growth, employment, and decent work for all. Our support of a just transition recognises the importance of tailor-made solutions that address unique circumstances and needs of Botswana.

What does it mean for Absa?

Opportunities

Lead the way in sustainable finance.	Capital allocation to environmentally responsible businesses.	Contribute to a just transition and responsible consumption.
Increased insight into clients' sustainability needs can lead to new financing opportunities, including nature-positive financing.	Access to sustainable green loans.	Opportunity to drive business continuity for clients.

[1]https://www.gsi-alliance.org/global-sustainable-investment-review-finds-us30-trillion-invested-in-sustainable-assets/
[2]PwC's Africa Business Agenda ESG Perspective 2023

Our material matters continued

Principle risks affected

Credit | Capital and liquidity | Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Possible business model impacts and effects on capitals

Social and relationship capital

- ▲ Supporting clients' transition paths
- ▲ Appreciate the social context to ensure a just transition, especially in Botswana
- ▼ Reputational damage if Absa fails to deliver on sustainability commitments or regulations.

Human capital

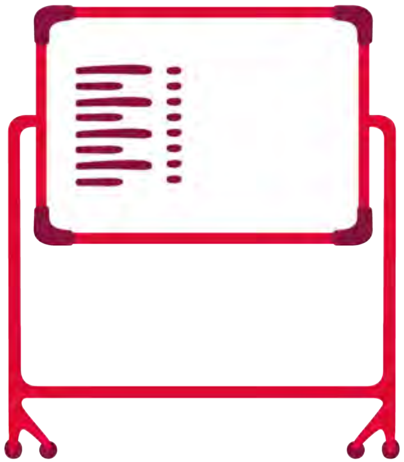
- ▲ Increased sustainability skills and talent.

Financial capital

- ▲ Investors are seeking climate and environmentally friendly opportunities, which will diversify our funding base and reduce funding costs
- ▲ Increased and diversified revenue from sustainability-related products and services
- ▼ Increased impairment risk due to physical and transition risks because of climate change.

Natural capital

- ▲ Low-carbon societies and businesses
- ▲ Food and water security
- ▼ Increased consumption of water and electricity as we embed the Bank's footprint.



Scorecard metrics affected

- Embedment of Environmental and Social Risks assessment within the wholesale credit lending processes for transactions where borrower's activity may impact the employees, environment and the people living in it.
- Publishing of the Absa Sustainable Finance Issuance Framework (SFIF) on the Botswana stock Exchange (BSE).
- Listing of the inaugural sustainable bond on the BSE.

Other metrics affected

(value over time)

- Number of trees planted

Value to others

Stakeholders impacted

Investors | Clients | Employees | Regulators | Society | Planet

SDGs impacted

SDG 7 | SDG 8 | SDG 10
SDG 13 | SDG 16

Linkages to our strategic aspirations

A digitally powered business I An active force for good in everything we do

Our material matters continued

Rising regulation [5]

Amid an evolving regulatory landscape, the Bank is proactively adapting to new compliance challenges, ensuring our operations remain resilient and competitive in a diverse and dynamic market environment.

The current business landscape is contending with an ongoing escalation in regulatory demands, presenting complex challenges impacting the Bank's established business models. This includes an evolving suite of regulations centered on governance and cyber security, necessitating a forward-looking approach to business strategy to mitigate long-term impact on performance. However, it is essential to note that the uneven regulatory landscape, where non-regulated companies face less stringent requirements, potentially posing more risks in terms of compliance and market conduct.

The regulatory evolution also demands enhanced skills development to comply with new requirements such as ESG related disclosures, digital asset regulation, and operational resilience assessments. The implications of these regulatory shifts are substantial, potentially leading to increased compliance risk and operational disruption, while the strain on resources to stay abreast of these changes can create strategic uncertainty.

Banks are now faced with the challenge of navigating regulatory inconsistencies, where this changing regulatory environment highlights the urgent need for traditional banks to adapt swiftly and develop robust strategies to maintain resilience and a competitive edge in a landscape marked by increasing regulation.

They necessitate strengthening fraud, cyber, and tech risk processes and controls. This may result in increased service costs for key client segments, and higher overall banking costs due to pressure from local regulators.

Regulatory changes also bring an array of opportunities to enhance consumer trust and strengthen market integrity. By investing in specialised training and continuously improving our regulatory capabilities, we are well-positioned to navigate and shape the regulatory environment while leveraging our robust systems and processes.

What does it mean for Absa?

Opportunities

Strengthen investor confidence	Working with regulators in developing common strategies to achieve our client goals while strengthening the financial industry	Continue to support and align with international and local practices supporting capital and ESG requirements
Increase transparency through reporting and disclosures	Mitigate or prevent systemic risks across the Bank, promoting financial stability	Promote a culture of compliance while bolstering our compliance structures and systems
Influence and advocate policy positions and lead in the industry		

Principle risks affected

Credit | Market | Capital and liquidity | Strategic, sustainability and reputation | Model | Operational and resilience | Compliance

Our material matters continued

Possible business model impacts and effects on capitals

Social and relationship capital
- ▲ Sound, positive and healthy relationships with regulators
- ◆ Compliance burden may affect client journeys and experiences, yet clients benefit from the protection provided by regulation
- ▼ Reputational damage as a result of non-compliance.

Financial capital
- ▼ Increased costs to comply
- ▼ Penalties and fines due to non-compliance
- ▼ Compressed foreign exchange margins on the back of regulatory interventions.

Scorecard metrics affected
- RoE
- CTI

Other metrics affected
(value over time)
- Capital adequacy ratio

Value to others
Stakeholders impacted
Investors | Clients | Employees | Regulators | Society

SDGs impacted

SDG 16

Linkages to our strategic aspirations
Diversified revenue streams with deliberate transactional led growth | The primary partner for our clients | An active force for good in everything we do.

Evolving employee value proposition

Responding to a dynamic employee landscape, Absa strategically invests in human capital, embracing flexibility and inclusion to attract and retain top talent.

The evolution of job roles and a growing preference for flexible work arrangements necessitate evolving employee value propositions, reshaping traditional work environments. The talent gap is particularly acute in essential sectors such as technology and finance. High illiteracy rates and a shortage of skills in these areas pose a significant risk to economic growth, notably in sub-Saharan Africa. The loss of key talent through migration is also a considerable concern. Compounding this issue is the fact that the demand for specific high-tech skills has surged more than fourfold in the last decade. This skill gap is projected to result in approximately USD8.5trillion in unrealised revenue by 2030[1], underscoring the critical need to address this talent shortfall.

Globally, there is a growing expectation for businesses to extend their impact beyond core operations, contributing societal value and exemplifying purposeful leadership. This shift aligns with trends in our business, such as rising demand for more meaningful work, enhanced job security, competitive remuneration, flexibility, and career advancement opportunities. In the post-COVID-19 recovery phase, we recognise that Africa presents a significant opportunity for human capital investment, capitalising on our continent's young demographic. With over 55% of Botswana's population under 30, this youthful populace holds immense potential for driving innovation, growth, and societal progress across the country.[2]

These complex social factors necessitate a multifaceted response, focusing on sustainable human capital investment and robust talent management. The evolving business landscape, marked by a shift towards more meaningful and secure employment opportunities, aligns with our commitment to enabling our people to bring their true selves to work, aiming to be a beacon of inclusion in the country. This commitment extends beyond our internal operations to encompass our suppliers, clients, and communities. By ensuring a diverse and representative workforce at every level of our organisation and fostering a high share of employees who feel accepted and valued, Absa positions itself not just as a financial entity but as a key player in shaping a more stable, equitable, and prosperous future for the country.

Through these efforts, we are responding to immediate needs and reinforcing the long-term resilience of our business and the communities we serve.

[1] https://www.kornferry.com/insights/this-week-in-leadership/talent-crunch-future-of-work

[2] https://www.statsbots.org.bw/sites/default/files/publications/Population%20Distribution%20Structure%20and%20Density%20in%20Botswana.pdf

Our material matters continued

What does it mean for Absa?

Opportunities

Engaged and talented workforce	Employer of choice for current and prospective employees	Contributing to the Group's ambition of becoming Home of Africa's leading talent.

Principle risks affected

Strategic, sustainability and reputation | Operational and resilience

Possible business model impacts and effects on capitals

Financial capital

- ▼ Fair and equitable remuneration appropriately addressing unfair remuneration differentials as well as attracting and retaining high performers
- ▼ Investment in skills development and training
- ▲ Lower hiring cost as top talent remains with Absa.

Human capital

- ▲ Increase in employee experience
- ▲ Improved mitigation of scarce skills
- ▲ Improved employee value proposition.

Intellectual capital

- ▲ Increased know-how and institutional knowledge
- ▲ Employees equipped for work in the digital age.

Scorecard metrics affected

- Employee experience index
- Women in leadership

Other metrics affected

(value over time)

- Headcount
- Turnover rate
- Employee headcount below the age of 40

Value to others

Stakeholders impacted

Employees

SDGs impacted

SDG 5 | SDG 8 | SDG 10 | SDG 16

Linkages to our strategic aspirations

Diversified revenue streams with deliberate transactional led and capital lite growth I A winning, talented and diverse team I An active force for good in everything we do.

Our medium-term strategy

During our strategic planning process, we reassess our business model and primary macro dynamics. We identify opportunities and adjust strategic objectives through cross-functional risk management and integrated planning. Rigorous evaluation is applied to both strategic opportunities and risks.

Strategic Journey

We acknowledge that we operate in a dynamic, volatile and uncertain environment characterised by muted economic growth, elevated interest rates, intensifying climate crisis, and geopolitical conflicts. Further we noticed heightened war for talent as financial services companies re-write their strategies and look to attract agile and future fit employees in order to maximise growth opportunities. This urgency motivates us to adjust our strategy, ensuring that it remains resilient to shocks while our focus remains on a brighter future, one where our bold decisions can make a difference.

The past year marked an inflection point in the Bank as we embedded our purpose of empowering Africa's tomorrow, together... one story at a time, as the cornerstone of our strategy, behaviors, and brand. We have brought our purpose to life through a cultural shift and a unitary ambition. Our strategic framework is inextricably linked to, and strongly aligned with our efforts to achieve this purpose. Our choices are also informed by a consideration of the *material matters*, risks and opportunities, and the significant trends in our *external environment.*

Our differentiators and enablers

Our competitive advantage lies in our unwavering commitment to placing customers first, offering tailored products and services to address their specific needs. The Bank consistently innovates, delivering first-to-market products that resonate with its diverse clientele, ensuring that their financial requirements are met with precision and efficiency. Beyond traditional banking services, we empower our customers through financial education and advice. Our personalised guidance equips them with the knowledge and insights needed to make informed decisions about their finances. Additionally, we are deliberate about empowering communities by offering employability education for the youth and comprehensive support which includes capacity building to SMEs, enabling them to thrive in today's dynamic business landscape. This is fortified by a synergistic blend of our collaborative operating model, cutting-edge technology integration, and a robust brand identity and reputation. This alongside our diligent pursuit of leadership in sustainability distinguishes us in the eyes of our customers, employees and communities.

Our strategic journey, 2014 to present

In the recent years, we have made considerable progress in building a solid foundation for growth. We have a coherent strategy, inclusive leadership approach, an environment that enables employees to achieve their full potential and a collaborative operating model to achieve our objectives.

Pre-separation

Successful turnaround strategy post a turbulent and challenging period

2014-2017

The Bank faced challenging operating environment in previous years due to global and domestic macro-economic environment. Its former ultimate parent company, Barclays PLC, was not exempt from the uncertainties and upheavals in the global banking arena, which undoubtedly impacted the Bank from a strategic focus and balance of capitals perspective.

Amidst leadership changes that the Bank had to grapple with, an intensive transformation programme, which entailed three components that pointed to turnaround, return to acceptable numbers and a sustainable forward momentum. By the end of 2017, positive strides had been made on the transformation journey with the Bank achieving growth above that of our country GDP, realising strong profits and return on equity for our shareholders.

Separation

The key focus shifted to the timely delivery of a complex separation from Barclays PLC

2018-2019

The key focus shifted to the delivery of separation from Barclays PLC, a unique project that was unprecedented in its size and its complexity unparalleled in Africa. We embraced the change as an opportunity to build depth and resilience in our organisational programme and change management skills.

We are now able to coordinate multiple streams of work in an agile manner while monitoring progress on those streams and delivering solid outcomes that protect value for our shareholders.

We concluded the separation on time and below budget, validating the way we approached this complex programme.

Post-separation

Launching and embedding the Absa brand in our market while navigating COVID-19 crisis

2020-2022

In February 2020, we successfully launched the Absa brand in the Botswana market. While we had planned to have various activities across the country to celebrate this significant milestone and introduce the brand, we recognised the need to prioritise the safety and well-being of our customers and employees.

In response to the evolving situation, we swiftly refreshed our strategy, placing a greater emphasis on digital channels to ensure continued access to our services while minimising physical interactions. We incentivised our customers to embrace digital banking and proactively implemented relief measures to alleviate the financial burdens brought by the pandemic.

Moreover, we reaffirmed our commitment to our communities by contributing to the nation's collective efforts to combat the pandemic.

Our journey to grow our market share

Expanding our horizons, raising our ambition

2023>

Raising our ambition to grow market share with a reinvigorated organisation, a well-defined medium-term focus and a long-term compass in our purpose. We aim to become Botswana's leader in sustainable finance, supporting a just transition in the process.

Our medium-term strategy continued

Our strategic horizon

Short-term (<12 months) → **Medium-term** (3 years) → **Long-term** (3+ years)

We are focused on five strategic themes set within a medium-term horizon to reach our long-term ambition. Strategic initiatives and responses remain dynamic and agile, enabling us to rapidly adapt to short-term shifts in our macroeconomic, operating environment, and competitive conditions.

We are clear on our long-term ambition to grow our market share, defending our position among the industry leaders through our aspiration to:

- **Grow** and **diversify** our **revenue** base
- **Improve** our operational excellence and our **CTI ratio**
- **Increase** our **RoE** and create enhanced shareholder value.

Our *outlook* profiles the medium and longer term targets we aspire to.

Strategic framework

Five strategic pillars underpin our ambition:

- We will diversify our revenue streams with deliberate transactional led growth.
- We aim to be the primary partner for our clients.
- We deliver a superior digital experience by being a digitally powered business.
- We build a winning, talented and diverse team.
- We continue to be an active force for good in everything we do.

Our medium-term strategy continued

We operate with a singular mindset, understanding the interconnectedness of our actions and addressing all five strategic pillars collaboratively to achieve our one purpose.

Diversify revenue streams with deliberate transactional led growth

The primary partner for our clients

We offer our clients banking services wherever they operate, focusing on creating value across the entire client relationship, allowing us to service and grow with their financial needs.

A digitally powered business

We aim at making banking part of clients' lives through our digital channels and keeping our clients' money safe by maintaining stable and reliable systems to bank on.

We leverage technology to create innovative products and grow our diversification of our non-interest and capital lite revenue.

A winning, talented and diverse team

Through technology, we support employees to have a digitally enabled way of working, as well as empower them to seamlessly serve our clients.

Our employees bring empathy and the human touch to our clients to complement our digital offering.

Our skills and experience enable us to develop state-of-the art products and services.

An active force for good in everything we do

Our ethos of skills development and diversity for our employees, with a particular focus on women and youth, is mirrored in our selection of community projects.

Our digital platforms enable financial inclusion while building digital skills for the future.

The green economy provides opportunities to pursue growth and meet the evolving needs of clients and communities as we seek new propositions and services relevant to the green economy.

We support our clients in their shift to renewable energies, advocating for a just transition in the process.

Customer centricity and harmonised customer value management remain central to our strategic actions.

Our medium-term strategy continued

Strategic themes

The thinking behind our chosen strategic initiatives

Living our purpose

Growing wider | Growing deeper | Growing together

Diversified revenue | Primary partner | An active force for good

Enablers

A winning, talented and diverse team
Skilled and efficient

A digitally powered business
More cost-effective, more efficient, more advanced

Diversify revenue streams with deliberate transactional led growth

In today's dynamic economic landscape, defending our revenue position as one of the leading banks in Botswana is vital to achieving our growth and scale ambitions. While interest revenue remains a vital component, its susceptibility to economic fluctuations underscores the need to diversify our revenue streams and improve our non-funded income contribution. This will position the Bank for long term success while reducing reliance on traditional sources of income.

This strategic pillar also directly aligns with our purpose by empowering economic growth and development through providing access to funding and facilitating payments. We are pursuing growth in sectors aligned to Botswana 's long term plans such as the national development plans and vision 2036. In addition, we are harnessing our brand and partnerships, as well as close collaboration within our ecosystem to achieve our growth ambition. The bank's strong brand equity remains a key competitive advantage and success enabler.

Our strategy in action

We are creating a more diversified business across segments and products and our diversification strategy is gaining momentum. The bank's total income for 2023 recorded a 14% growth year on year to P2,1billion. Net fee and commission income posted solid performance with an aggregate growth of 6% year on year. This growth trajectory was propelled by concerted digitalisation and innovative efforts which drove volumes and enhanced our customer proposition. Read more later...

The trade-offs we make

Capital allocation and mode of providing our customers with products and services

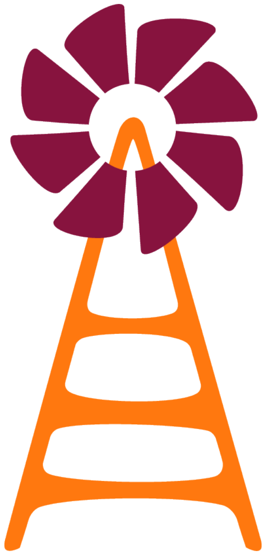
We mitigate market-specific risks by assessing and deploying necessary capital allocation trade-off between our Retail and Business Banking (RBB) and Corporate and Investment Banking (CIB) segments. Botswana banking industry is predominantly retail-led and therefore our RBB segment requires ongoing investment for us to remain relevant and maintain our revenue market share. Furthermore, we assess the delivery mode of products and services and consider which to deliver internally and those through strategic partnerships.

Our medium-term strategy continued

Material matters
- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion

Capitals

Contributing SDGs



Strategic measures	2022 Restated	2023	2023 target
Revenue (P'm) (year-on-year % growth)	1 858 (12.7%)	2 115 (13.9%)	2 052 (10%)
Non-funded income (year-on-year % growth)	40.1%	40.1%	41.75%
Capital lite revenue (P'm) (year-on-year % growth)	1 049 (17%)	1 244 (19%)	1 140 (9%)
Return on equity (%)	23.1	20.6	22.1
Cost-to-income ratio (%)	49.6	57.1	49.6

The primary partner for our clients

Our focus is not only on acquiring new customers but converting them to primary status thereby being their main financial partner. Being the primary banker for our clients requires us to view each individual relationship and their unique financial situations, rather than view customers as segments. To promote primacy, we will continue to build brand affinity with clients and employees through brand investment, astute positioning and leveraging the power of our purpose and people. Economic conditions are challenging for most clients in business, as well as retail customers. Truly understanding our clients' needs allows us to deliver innovative solutions relevant to these challenging conditions.

As disruption intensifies competition, we fully appreciated that institutions that succeed in both customer acquisition and primacy gain significant strategic advantages in the market. We endeavor to serve our clients across all segments from entry-level to premier customers, small businesses to large corporates, through data-led propositions. This requires harnessing of the Bank's ecosystem and leveraging the full power of being a subsidiary of the Absa Group.

Our strategy in action

In 2023, we focused on driving client primacy by focusing on value creation across the entire client relationship, driving value beyond banking. We participated in various national and Absa specific engagements providing thought provoking insights on areas of our expertise such as agriculture. ***Read more later ...***

The trade-offs we make

Long-term relationships versus short-term financial performance

We do not compromise long-term relationships and client primacy in favor of short-term financial performance. This is driven by our firm conviction that our client-centric pricing approach and investing in providing clients with thought leadership and engagements will deliver sustainable returns over the long term.

Pursuing revenue growth in a volatile credit market

As a systematically important bank in our market, our key role is to provide loans and advances that can stimulate the growth of our economy, address our customer needs and grow the principal source of our revenue while navigating the uncertainty we are seeing in the macroeconomic variables. This requires us to balance growth in revenue against increased risk in the form of credit losses and impairments. We carefully calibrate our growth ambitions and risk appetite to maintain the health of our lending book across economic cycles. Prudent credit risk management strategy is also critical in the current environment.

Our medium-term strategy continued

Material matters
- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition

Capitals

Contributing SDGs

Strategic measures	2022	2023	2023 target
Active customers (thousands)	255.2	276.7	268.6
Transactionally active customers (thousands)	124.6	136.5	134.7

A digitally powered business

We aim to enhance agility, cost-competitiveness, client value propositions and execution speed by becoming a digitally powered business with a complementary physical presence.

The Bank continues to pursue opportunities to accelerate its digital transformation, supported by modern, agile technology. We are accelerating our digital adoption and transaction volumes on our digital platforms as we seek to make banking seamless for our clients. Embedding digital-first ways of working and innovating will deliver better client value propositions more rapidly.

We recognise the opportunities digital will unlock to drive efficiency and improved client experience. In addition, new business models and partnerships with FinTech's and large industry players to better serve our clients and employees may also become possible. We extract value using data insights and AI to drive growth, improve efficiencies, deepen client understanding, increase client centricity and develop relevant client value propositions.

Delivering on this requires the right digital talent, and we are hiring, training, and retaining outstanding talent, building and supporting skill development not only for the Bank, but for the benefit of Absa Group as well.

Our strategy in action

We see a clear trend in our clients choosing to use our digital channels, with an increase in our digital registered and enabled base. We use advanced technology in launching digital products such as our market-first augmented reality card game and the first-to-market launch of Absa Mobi Tab, which allows for small, micro, and medium (SMME) enterprises to receive payments through their mobile phone. ***Read more later ...***

The trade-offs we make

Digital innovation versus technology modernisation and simplification

We continually choose between allocating resources to urgent operational matters and digital innovation, balancing the need to deliver at pace with the requirements to maintain business continuity in our core banking technology.

Material matters
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Rising regulation
- Evolving employee value propositions.

Capitals

Contributing SDGs

Our medium-term strategy continued

Strategic measures	2022	2023	2023 target
RBB digitally active customers (thousands)	75	81.4	86.2
CIB digitally active customers (%)	94%	98.8%	98%

A winning, talented and diverse team

As a business built on people, the Bank is clear that the ability to outperform depends on building the right culture and organisational health. The Bank's reputation as a great place to work, as evidenced by accolades received in this area, assists us in attracting and retaining talent. Moreover, being a purpose-led organisation instils a sense of pride not only in our employees, but also attracts like-minded prospective talent.

Our purpose is the foundation of our culture and ways of working, and we have made significant progress embedding this within our strategy, brand, values and supporting behaviours. Our culture fosters diversity, equity, and inclusion, creating an empathetic and enabling working environment for all. We continue to simplify governance and improve the way we work by distributing decision-making and fostering collaboration.

In line with our business strategy, it is important that the Bank prudently ensures alignment of its human capital to the evolving customer needs, regulatory changes and remains relevant in the highly competitive banking industry. Absa Group thrives to be a 'home of Africa's talent', developing rather than procuring most of its skills. The Bank's ambition is to make a meaningful contribution to this intention by cultivating a diverse, inclusive, and high-performing workforce. To nurture talent, we prioritise initiatives such as employee training, leadership programmes, opportunities for employees to transfer across the Group's diverse franchise and employee wellness.

Material matters

- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Evolving employee value proposition.

Capitals

Contributing SDGs

Strategic measures	2022	2023	2023 target
Employee experience index	52.9%	55.8%	58%
Women in senior leadership	50%	50%	46%

Our strategy in action

The Bank continues to make strides in investing in its employees to build a winning, talented and diverse team. In our efforts to empower the Bank's employees, the Bank implemented the first of its kind Absa Group Limited employees phantom share scheme, increasing our employees' sense of ownership and commitment to the Bank's performance and contribution to Absa Group success. ***Read more later ...***

The trade-offs we make

Developing internal talent to build a skilled and diverse team, as opposed to solely relying on external recruitment, demands commitment to investing in training employees and a focus on developing Absa-grown talent, a necessary trade-off in an increasingly skills-scarce market.

Our medium-term strategy continued

An active force for good in everything we do

Our sustainability priorities are aligned with our business strategy.

Our purpose drives our actions and we have set clear goals for the short, medium, and long term to achieve measurable, material change in our communities and the environment. Through our medium-term sustainability strategy which came into play in 2022, we have selected three areas to invest in, being:

- **environmental sustainability,** where we seek to contribute meaningfully to combat climate change by incorporating climate change considerations into our business operations with a deliberate focus on reducing and offsetting carbon emissions. We aim to become Botswana's leader in sustainable finance, recognising the need to consider socioeconomic challenges, hence the focus on a just transition to renewable energy.
- **inclusive financing**, promoting financial inclusion and making intergenerational wealth creation accessible to all by providing equitable access to affordable financial services and products that cater to the specific needs of our communities. We are actively empowering underserved groups namely women, youth, and SMEs with tools to build financial resilience and pursue economic opportunities. In addition, we provide consumer financial education to key clients' employees.
- **education and skills development**, supporting Batswana, especially the youth, to build dynamic skill and knowledge aligned with Botswana's transition to a knowledge-based economy.

We deliver on our ambitions within the context of the highest governance standards, ethics and accountability, a robust control environment and a vibrant culture that inspires us to do what is right.

Our strategy in action

The Bank continues to make progress in providing financing for renewable energy projects, playing a pivotal role in advancing the journey towards a sustainable future. This is evidenced by the Bank publishing the first Sustainable Finance Issuance Framework (SFIF) in the Botswana market and being the first commercial bank to issue the first ever sustainable bond which was listed on the Botswana Stock Exchange (BSE) aimed at funding projects aligned to green and social impact. This move solidifies our commitment to sustainability and positions the Bank as a pioneering sustainability leader in the banking industry. We supported and invested in various sustainable agriculture initiatives and have financed clients in the agriculture space to acquire equipment such as greenhouses and solar systems to drive smart and sustainable agriculture. *Read more later...*

The trade-offs we make:

Socio economic versus environmental support

Our sustainability priorities and underlying trade-offs have been determined based on their impact on our stakeholders, potential risks and opportunities, and our ability to make a difference. We drive socioeconomic development while assessing the impact our actions, and those of our stakeholders have on the environment. The complex relationship between environmental and social priorities will continue to be managed to best support a just transition.

Material matters

- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition.

Capitals

Contributing SDGs

5 Gender equality; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 13 Climate action; 16 Peace, justice and strong institutions

Strategic measures	2022	2023	2023 target
Financial literacy training (including ReadytoWork)	26 703	20 960	18 000
Diversity and inclusion-women in senior leadership	50%	50%	46%
Tree planting	2 342	3 110	3 000

Our medium-term strategy continued

Resource allocation to strategic initiatives

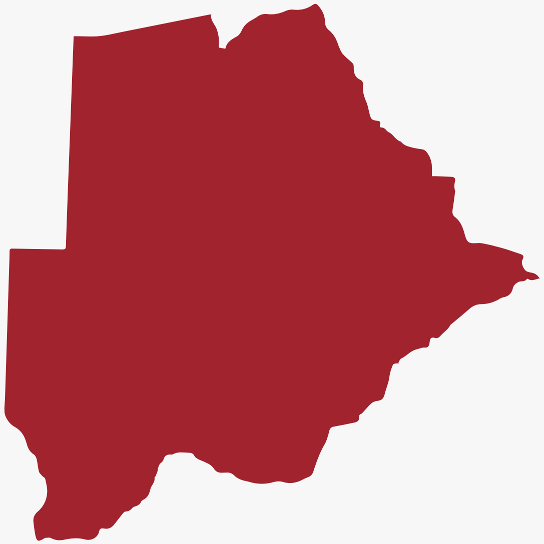
Our allocation and use of resources differentiate us from our peers and determine our ability to achieve our ambition and create value for stakeholders. Our change investment portfolio in 2023 totaled P68million. We believe that our clearly defined processes and strong delivery capability have enabled us to allocate resources effectively, leverage our assets and add value to the business.

We will continue to deliver on our strategic ambitions and use our change portfolio to support our strategic objectives, focusing more on multi-year, longer-term initiatives. For 2024, we have allocated P94million to strategic initiatives while being cognisant of our macro and operating environment, allowing for agility in our resource allocation. The bulk, or 80%, of our future investment will be allocated to being a digitally powered business, with 78% of the digital portfolio initiatives focused on transformation and disruptive innovation.

Our investments and resources are aligned with our medium-term strategy and mainly allocated to the human, financial, intellectual, and social and relationship capitals. We are investing in skills and talent as well as creating a diverse employee base. We allocate resources to technology, effective security, data processes and world- class technology skills. We continuously invest in relationships and ensure that we have resources to engage with all our stakeholders. In our business model, we outline key dependencies on the six capitals required to execute strategy.

Our business model

Our purpose **Empowering Africa's tomorrow, together... *one story at a time***



Strategy

- Diversify revenue streams with deliberate transactional led growth
- The primary partner for our clients
- A digitally powered business
- A winning, talented, and diverse team
- An active force for good in everything we do

Market presence

Listed on the Botswana Stock Exchange with the largest branch network in our market, 117 ATMs and recently introduced agency banking servicing individuals, micro, small and medium-sized businesses, corporates, multinationals, financial institutions, banks, government and development finance institutions.

Our operating context is impacted by several ***material matters*** namely:

- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition

Our core banking activities, products, and services

Underpinned by our strategy as well our physical and digital and presence, our fully integrated business offering is delivered through customer-first digital solutions, financial services ecosystem, and lifestyle and value chain offering.

1. Providing payment services and a safe place to save and invest.

Accepting customers' deposits, issuing debt, facilitating payments and cash management, providing transactional banking, saving and investment management products and international trade services.

2. Providing funds for purchases and growth

Extending secured and unsecured credit based on customers' credit standing, affordability and risk appetite. Trade and supplier finance, working capital solutions, access to international capital markets and inter-bank lending.

3. Managing business and financial risks

Providing solutions, including fixed-rate loans, pricing, and research, as well as hedging which includes interest rate and foreign exchange.

4. Providing financial and business support

Providing individual and business advice, advisory on large corporate deals and investment research.

5. Protecting against risks

Representing insurance companies in selling and servicing various policies for a specified loss in return for commission.

How it works **We generate revenue through interest, fees and commission**

Potential for revenue differentiation

- Diverse revenue streams across our portfolio
- Large customer base in retail, business and corporate banking
- Regaining market leadership, increasing market share and cross-sell ratio, within an appropriate risk appetite
- Scope to grow product lines where we are underweight in terms of market share
- Emphasis on transactional customer relationships as opposed to debt-led relationships, winning customer primacy
- Strengthening services to multinational corporations, global development and non-governmental organisations
- Potential for reaching the unbanked
- Opportunities to support a just transition to a low-carbon economy
- Leveraging strategic partnerships.

Potential for cost differentiation

- Leveraging our physical footprint
- Ability to deliver cost reduction through digitisation
- Enhanced operational efficiencies using automation that contributes to enhanced service levels
- AI in fraud analytics and safe customer service.

Our business model continued

Capital inputs

Value is created over time as stocks of capitals increase

Business model dependency on capital: High / Medium / Low

Long-term value created per capital: Low / Medium / High

Human Capital
Our people are our strength. Our business model is therefore dependent on our human capital.
- 50% women in senior leadership
- Absa Group Limited employees phantom share scheme
- 1 039 employee headcount.

Financial capital
As a financial services provider, our primary capital created and transformed is financial capital.
- Total deposits of P 18,7bn
- Gross loans of P 17,2bn
- Capital adequacy ratio of 19% (post dividend)
- Non-interest revenue (NIR) to total income of 34%.

Intellectual Capital
As a bank, we play a crucial role in the financial system. Systems, processes, protocols, and technological architecture provide effective security and protection to our clients' data and wealth.
- P 83.5mn planned digital spend for 2024
- P 33.6mn actual spend in 2023.

Social and relationship capital
Our relationships with key stakeholders are crucial for our license to operate.
- Shared values and behaviours
- Understanding stakeholders' needs and expectations.

Manufactured Capital
We maintain a physical footprint, although manufactured capital only makes up to 0.9% of our total assets.
- Global trend towards digital banking
- 32 branches
- 117 ATMs
- 5 888 PoS devices.

Natural Capital
We are not a large consumer of natural capital. However, our lending decisions affect our natural capital under the stewardship of others.
- Environmental risk assessment of credit applications aligned with Equator Principles
- Enhancement of product offering to include enablement of sustainable finance transactions.

Key outcomes

Diversified revenue streams
SDG 8
- 34% NIR to total income
- 57% CTI
- 21% RoE
- P1.8bn economic value to investors

The primary partner to our clients
SDG 8 SDG 10
- 340 thousand customers
- 69 Corporate and Investment Banking customer experience index
- 88 Business Banking customer experience index
- 102 Retail Banking customer experience index

A digitally powered business
SDG 8
- 81.4 thousand RBB digitally active customers
- 98.8% CIB digitally active customers
- Zero severity 1 and 2 incidents

Value over time reflects the net outcomes per capital

Active Force for good
SDG 5 SDG 7 SDG 8 SDG 10 SDG 13 SDG 16
- Publishing of the Absa Sustainable Finance Issuance Framework on the Botswana Stock Exchange
- P 501mn economic value to a diverse supplier base
- P227mn economic value to government
- 20 960 individual participating in financial education
- P874 thousand spent on community support

Governance as a non-negotiable priority
SDG 16
- 100% sustainability training completion rate
- **99.6%** Absa Way Code of Ethics training completion rate

Winning, talented and diverse team
SDG 5 SDG 8 SDG 10
- P633mn paid to employees in salaries, incentives and benefits
- 55.8% employee experience index score
- 87.5% retention of high performers

We have identified our strategic objectives and gauged how their achievement will enable us to deliver on our purpose and contribute to the SDGs.

Delivering value... one story at a time

Managing Director's message

Keabetswe Pheko-Moshagane
Managing Director

"The commitment and determination of our employees to confront the challenges of a difficult operating environment and remain resolute in the achievement of our strategic intent has been an inspiration to me."

Context

The previous year brought with it challenges and uncertainties from all macroeconomic fronts globally, regionally and locally, as highlighted in the Board Chairman's message. Botswana's growth trajectory in particular, exacerbated by its dependency on diamond trade slowed down. When operating in such a dynamic sphere, it is crucial to have a purpose that serves as the primary motivation to forge ahead despite evolving uncertainties. As part of Absa Group, our purpose of empowering Africa's tomorrow, together...one story at a time has served as our compass not just in guiding our strategic direction, but also in reinforcing the values that have kept us on the right course.

As a bank, our strategic direction and execution was and will continue to be impacted by various external factors. The manner in which we have steered through these intricacies certifies that we are an organisation whose fabric is woven with resilience and agility. This gives me confidence that we will continue to be a leading financial services institution in Botswana for many years to come. The commitment and determination of our employees to confront the challenges of a difficult operating environment and remain resolute in the achievement of our strategic intent has been an inspiration to me.

Sustaining business performance in uncertainty

The Bank's financial performance is a testament of our tenacious strategy and story of resilience in the face of the volatile operating environment. We retained our focus on the five key strategic pillars which revolve around being the primary partner for our clients; revenue growth and diversification; being a digitally powered business; our people, and being an active force for good in everything we do. Kindly refer to the Interim Finance Director's message on page 58 of this report for a detailed look into our financial performance over the last year.

Our total income for the year increased by 14%, not only reaching but exceeding the P2billion momentous mark. Our corporate and investment banking ("CIB") segment witnessed an impressive 25% year on year revenue growth, attributable to the business development and growth within our chosen sectors of mining and energy, infrastructural development, retail, and tourism. We launched unsecured bid bonds to enable our corporate and business banking clients to take advantage of the opportunities in the market by participating in projects of national interest particularly those in the infrastructure space.

Our Retail and Business Banking ("RBB") segment remains a crucial element of defending our market share and investment in key strategic RBB initiatives over the last year bore fruit. Innovative solutions such as a first to market payments solution, Absa Mobi Tap, proudly won the Qorus reinvention silver award under the payments category for Innovation Excellence in the Middle East and Africa.

Although our cost to income ratio pierced our medium-term target of lower 50s, this was largely driven by an increase in operating costs, including the generic cost of compliance and once-off costs such as the retrenchment and technology costs. However, our underlying cost to income ratio, excluding these once-off costs, stood at 52% and is within our medium-term target.

Our total balance sheet maintained stability and positive growth momentum, closing the year at a total in excess of P24.6billion, growing 8% year on year. Both our capital adequacy and liquidity ratios remained above minimum regulatory thresholds, favourably positioning us for sustainable growth, and enabling us to deliver meaningful shareholder return.

Aligning our organisation for long-term success

As we continue to write our story in an emergent industry, achieving our long-term goals requires a multifaceted approach enabled by our culture and values, brand, and people. Our people remain the backbone of our organisation and we therefore have a clear human capital strategy aligned to the corporate strategy. A key deliverable in 2023 was the co-crafting of the Absa values, which define how we pursue our purpose by providing our employees with a guide on how we should approach everything we do. A clarity of purpose fueled by guidance on the "how" has positively contributed to the strides we made in our culture transformation, with the Bank realising a 3% increase on the employee experience index.

Furthermore, as part of our ongoing commitment to ensuring the long-term success and sustainability of our business, as previously indicated, we underwent a restructuring process in the fourth quarter of 2023. Inevitably, this resulted in the retrenchment of some of our employees. We believe that the restructuring exercise was necessary to position the Bank for future growth and success. I would like to express my sincere gratitude to the employees who exited the Bank for their dedication and hard work during their tenure.

Managing Director's message continued

A pivotal development for our employees was the Absa Group pioneering the eKhaya employee share scheme. Our Botswana eligible employees participated through a phantom share scheme, which is a cash equivalent award of the Absa Group eKhaya scheme. This initiative marked a significant step in acknowledging the invaluable contributions our employees make in creating value for our stakeholders. In addition, it aligns our employee interests with the Group and the Bank's performance and reinforces our dedication to fostering a supportive and rewarding work environment.

2022 was the birth of our purpose of "Empowering Africa's tomorrow, together...one story at a time" with focus during the period under review being entrenching this purpose in our market. Having had a deep introspection of our purpose and values, a collective decision was taken to reposition our brand to 'Your Story Matters', which expresses our commitment to injecting a more human-centered approach to banking and providing a seamless customer experience. Our brand, anchored on our purpose, values and culture, set us on course to achieve our long-term goals.

> **We are committed to the growth and feats of the continent and Botswana, recognising the power we possess as a financial institution to propel the sustainable future we want to see.**

Delivering for our clients

We continue to see tangible progress on becoming a primary partner for our customers, leveraging on our refreshed brand identity. We have also made strides in enhancing our customer value propositions and digital channels as well as positioning the Bank as a thought leader by participating and sponsoring various initiatives aligned to our strategy.

To this end, the Bank hosted a thought-provoking mining event, exploring opportunities and how the private sector can play a part in the government's economic diversification agenda by supporting non-diamond mining activities. We also sponsored various agricultural events, promoting sustainable agricultural practices to support the country's food security and self-reliance ambitions.

In our endeavor to understand and provide solution for our clients' needs, we introduced unique deposit propositions for both our consumer and business clients. For our Corporate and Business Banking clients, we delivered the first to market foreign exchange (FX) linked deposit, which is in line with our strategy to contribute to the development of capital markets in Botswana. We also launched the Win-a-Moraka campaign for our retail customers with our choice of prizes, livestock, rooted in our cultural heritage which encourages perseverance and creation of generational wealth.

Aligned with our aim to be a digitally powered bank, we introduced improved digital offerings to make banking seamless for our customers. We enhanced our credit card offering, enabling clients to self-service/performing tasks such as freezing and unfreezing their cards, as well as requesting credit limit increases and decreases on our internet banking platforms at their convenience. We also launched RBB digital customer self-onboarding solutions, which provides an enhanced experience for opening current and savings accounts online.

Our concerted efforts above resulted in commendable improvement in our latest customer experience survey. All our business segments' customer experience index, which measures the quality of service as experienced by our customers, improved in comparison to prior periods and 2023 set targets, with Business Banking score increasing exponentially by 63% to 88 points in 2023. The outstanding results were due to the collaboration of our teams across the entire bank to address our customers' pain points.

Embedding sustainability in our operations

We are committed to the growth and feats of the continent and Botswana, recognising the power we possess as a financial institution to propel the sustainable future we want to see. Our purpose encapsulates our dedication to being an active force for good in everything we do, acknowledging the interconnectedness of financial success and societal well-being. We have therefore defined our sustainability focus areas to be centered around financial inclusion, education and skills development, and climate action, guided by strong governance and responsible corporate citizenship.

Recognising Botswana's particular vulnerability to climate change, one of our core sustainability strategic pillars is promoting environmental sustainability. This pillar underscores our dedication to ensuring that future generations inherit a world that is just, equitable, and sustainable. Our initiatives are aimed at reducing our carbon footprint, supporting the agriculture sector in adopting climate-resilient practices, and renewable energy financing in Botswana, with an emphasis on a just transition. A key highlight for the period under review is the launch of our inaugural sustainable bond in December 2023. We are proud to be the first commercial bank to list a bond on the Botswana Stock Exchange that ringfences funding for environmental, social, governance (ESG) projects.

We have proven our dedication to financial inclusion over the past five years, with our focus area being financial education for consumers, the youth and women. We registered a 44% increase in the number of participants of our various financial literacy training ranging from the youth that use our ReadytoWork platform to those that attended sessions delivered by our employees to key clients, employees and the communities that we operate in.

We also aim to enable equitable access to financial products and solutions to address societal and financial inclusion issues. To this end, we continue to drive market penetration of our digital wallet, Spark by Absa, and the agency banking model, which compliments Spark. We launched the See Her Empowered (SHE) business account which aims to provide financial support to women and equip them with technical support covering developmental training, mentorship and coaching, access to market to sell their products and avail business facilities through our Enterprise Development Centre which has workstations, a boardroom, Wi-Fi and printing facilities. We also diversified our Enterprise Supply-chain Development (ESD) program to other sectors such as construction and oil, providing funding to micro, small and medium businesses, equipping them to participate in the government's citizen economic empowerment programme.

We are pleased with the progress we have made on our sustainability journey over the past two years and will continue to rollout planned initiatives throughout the Bank.

Managing Director's message continued

Looking ahead

Going forward, we will continue to navigate a landscape that is marked with both opportunities and challenges. By leveraging our strengths, embracing innovation, and staying attuned to evolving market dynamics, we are well-positioned to forge through the different challenges and drive sustainable growth.

From an economic outlook, we project GDP growth of 3.5% in 2024, supported by increased capital spending from the stimulus budget announced by the Minister of Finance and Economic Development and inflation to remain within the Central Bank's target range of 3% to 6%.

We will continue to execute on our medium-term strategy, with a focus on revenue diversification by driving transactional volumes and capital lite revenue. Following the difficult decision to retrench employees, our priority is to ensure that our remaining employees are motivated and inspired to deliver against our commitments. We will implement comprehensive support measures, including enhanced communication, targeted professional development programs, and initiatives to reinforce our company culture. Through these efforts, we are confident that we will foster a resilient and high-performing workforce dedicated to achieving our strategic objectives.

With the different challenges we face and mandates we are entrusted with; it is encouraging to have a supportive Board as we have had over the years. Succession remains top of mind at Board and Management level, and with the resignation of our former chairman at the end of October 2023, the transition to the Interim Board Chairman and ultimately Board Chairman was seamless.

On behalf of my country management team, I would like to thank the entire Board for being readily available and consistent in their commitment to guide us.

I would also like to thank my management team for the courage and resolve to lead the execution of our strategy in the heightened competitive environment and volatile operating landscape. To the entire Absa team, it is through your efforts that we continue to thrive as an organisation, and for this I am truly grateful.

Interim Finance Director's message

Leroy Klein
Interim Finance Director

"This growth trajectory over the years was driven by our focused digitisation initiatives and rising transaction volumes throughout the fiscal years."

Overview

Our external environment: continued to face multiple challenges in 2023 comprising of muted economic growth, reduction in the central bank policy rate, intensifying drought conditions, and geopolitical conflicts. Additionally, we faced heightened talent wars as financial services companies revised their strategies to attract agile and future-fit employees, aiming to maximise growth opportunities. Our financial performance however continues to be resilient despite the current operating environment.

Key highlights of our financial performance for 2023 include:

- Net interest income growth by 18% year on year, driven by 25% rebound in gross interest income, demonstrating our commitment to contribute to Botswana's economic growth by providing access to funding.
- Pre-provision profits rose by 4% to P907.2million, driven by a 14% increase in revenue to P2.1billion, while operating costs surged by 23% to P1.2billion. Consequently, the CTI ratio increased to 57.1%.
- The bank's capital and liquidity position maintained solid and secure, with capital adequacy and liquidity ratios well above regulatory requirements.

I will now take you through our detailed financial performance for the year ended 31 December 2023 and unpack the salient points of our financial performance in the following pages.

Basis of reporting – notable items

Impact of IFRS 17 Insurance Contracts

The Group has elected not to apply IFRS 17 Insurance Contracts as permitted for financial guaranteed contracts since the bank has not explicitly asserted that it considers such contract to be insurance contracts. On conclusion of the IASB's project, IFRS 17 was issued which sets out specific measurement and recognition criteria for insurance contracts.

Following the specific recognition and measurement criteria in IFRS 17, consequential amendments were also made to the presentation and disclosure requirements for insurance contracts. This standard requires retrospective application and is effective for annual reporting periods starting on or after 1 January 2023. The standard did not have an impact on the financial statements of the Bank.

Impact of restatement of 2021 and 2022 financial statements

During the year, the Bank identified the need to make once off prior period adjustments. The errors have been corrected by restating each of the affected financial statement line items for the period 2021 and 2022 respectively. The impact of the restatement has been detailed in note 54 of the financial statements section.

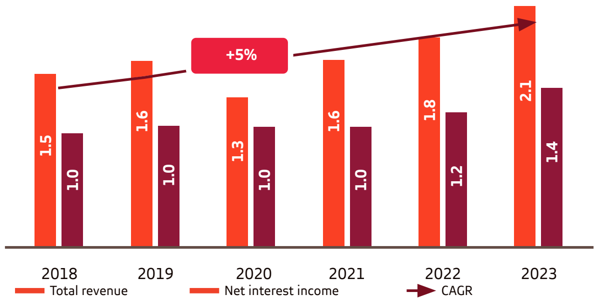
Anchoring for a sustainable long-term growth ...

Our financial performance continues to be resilient despite the headwinds we faced, with compounded revenue growth over the six years of 5.5%. Total revenue for the financial year ended 31 December 2023 recording a double-digit growth of 14%, reaching P2.1billion. Our revenue mix continues to be aligned to our primary purpose as a commercial bank with net interest income which currently stands at P1.4billion contributing 68% of our total revenue. Gross interest income increased by 25%, driven by the momentum in our loan book and improved returns on our portfolio assets across segments, evidenced by an improvement in our net interest margins. Over the past six years, we have achieved 38% revenue growth while simultaneously enhancing business efficiency.

To cushion the Bank against unforeseen interest volatility due to global and local economic activities, we remain resolute in our revenue diversification goals. To that effect, gross fee and commission income posted solid performance with an aggregate growth of 12% year on year. This growth trajectory was propelled by concerted digitalisation and innovative efforts, which drove volumes and enhanced our customer proposition throughout the fiscal year. We have relentlessly pursued innovation to position the bank as the go-to destination for transactional and digitally led banking, achieving improved diversification of revenue streams in the process.

Interim Finance Director's message continued

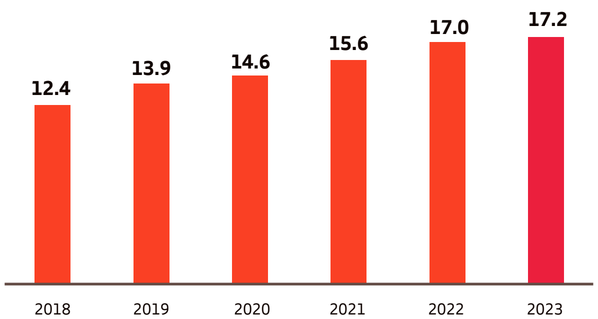
Total revenue analysis (P'bn)



... supported by strong balance sheet trajectory

The Bank continues to fortify its position as a pillar of financial stability and resilience, with a steadfast commitment to fostering sustainable growth and value creation. Our balance sheet persists, is robust and dynamic, characterised by prudent capital allocation and strategic asset deployment. Despite prevailing market uncertainties, we've achieved a commendable 8% growth in our total financial position, attesting to our ability to navigate challenging market conditions.

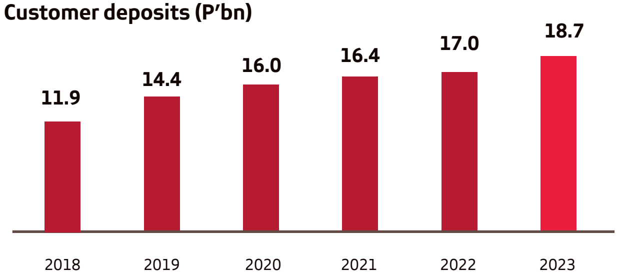
Gross loans and advances (P'bn)



Customer confidence and trust in the Bank remain unwavering, evidenced by a notable 39% increase in customer loans and advances over the past six years. This growth trajectory underscores our relentless pursuit of opportunities to support the financial aspirations of our clients while prudently managing credit risk exposures. RBB segment grew 4% driven by opportunity in our business banking segment and upbeat momentum on consumer lending. Both our business segments continue to post positive returns with net interest margins improving year on year.

Moreover, a 58% increase in customer deposits over the past 6 years underscores the efficacy of our client acquisition and retention strategies, bolstering our liquidity position and funding stability as noted below:

Customer deposits (P'bn)



Our quest to cultivate and promote a savings culture across our customer segments has borne fruits as evidenced by the 2023 growth in customer deposits of 10%, providing sustainable funding for loan growth throughout this period.

... while enhancing liquidity position

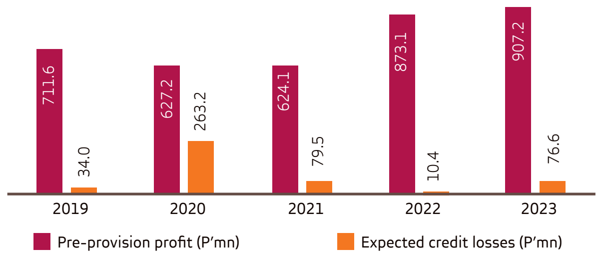
This growth in deposits over the six years resulted in sustained liquidity ratios. Our liquidity position during the period under review resulted in cash and cash equivalent balance exceeding P1billion in 2023. The Bank maintained strong liquidity levels with a liquid asset ratio of 18% for 2023, well above the regulatory minimum of 10%.

An impressively sturdy 2023 performance ...

Our performance in 2023 mirrors the medium-term momentum, underpinned by resilience. However, the operating environment worsened beyond our initial expectations, and certain once-off items adversely impacted our overall performance.

... improved profitability amidst economic tides

Pre-provision profits vs Expected Credit losses (Pmn)



The Bank's prudent credit risk management strategy persisted to be resolute amidst growth across our business segments. This strategy has been crucial in driving economic growth and enabling our customers to navigate the uncertainty brought by macro-economic challenges, especially at the height of the pandemic where expected credit losses (ECL) significantly increase by 674% to P263million between 2019 and 2020.

In 2023, ECL registered an overall net charge of P76.5million. This performance reflects a normalised book performance without significant impact of covid-related releases as we had seen in the prior years. Furthermore, our loan loss ratio has improved and remains under 1% which compares favourably to the industry average. The Bank still has adequate provision to absorb future shocks and our impairment cover levels sit at above 4%.

Throughout the years, we have consistently demonstrated a strong return on shareholder value. In 2023, our pre-provision profit stood at P907million, reflecting improvement over the years, and underscoring the solid top-line performance.

Interim Finance Director's message continued

... strategically aligned cost growth.

Return on Equity reflects the costs we have absorbed in our business, ending the year at 21%. Our operating expenses were the main contributor to our 2023 performance, growing by 23% year on year. The key driver of the costs was staff costs which increased by 30% year on year. This was in response to the upsurge of talent war in our industry which necessitated the need to continuously refresh employee value proposition as well as upskill our employees. In addition, technology costs increased by 30% to ensure stability and enhancement of our systems. This resulted in our cost to income ratio deteriorating to 57%.

Our cost was also impacted by significant once-off expenditures including restructuring exercise, amounting to P91million. Additionally, we had to restate our financial statements for 2022 and 2021, with corrections stemming from three broad categories being the reclassifications, amounts written off, and short-term incentives considered as subsequent adjusting events. The reclassification was made to accurately reflect the performance of the impacted years and in accordance with International Accounting Standards. Full details of these adjustments are set out in our annual financial statements. The reclassification however had no significant impact on our key ratios, including the dividend payout and Return On Equity. Our underlying cost growth excluding the once-off matters is 8%, and the resultant cost-to-income ratio is 52% reflecting normalised business performance. Phasing out the impact of once-off adjustment in the current year our Return On Equity shows an improvement to 24%.

The impact of cost on the Bank's capitals are as follows:

Staff costs increased by 30% to P633million, with the main drivers being retrenchment costs, constituting 45% of total expenses. We also enhanced our employee value proposition to retain talent and critical skills and invested in training. Additionally, we introduced the employees phantom scheme plan.

As a financial services provider, we prioritise our technological spend to provide effective security and convenience to our clients. The increase in technology expenses is driven by investments in digital platforms and cybersecurity measures.

Marketing costs rose by 39% due to increased advertising and sponsorship spending, as we reinvested in our brand and product presence.

Additionally, depreciation and certain equipment costs increased due to utilisation of physical information technology infrastructure, reflecting our ongoing investment in digital, automation and data capabilities.

The comprehensive cost for issuing the sustainable bond amounted to P1.2million, this is inclusive of external verification, listing fees and other costs associated with the issuing and listing of the bond.

...balancing growth and stability

We are deliberately well positioned for the tough macro-economic backdrop in the short to medium term. Our capital adequacy ratio has consistently remained above the regulatory limit, while the dividend payout ratio has consistently increased year on year, except 2019 due to the impact of the pandemic but recovered from 2021. Refer to the table below for trend on our dividend payout and capital adequacy ratio:

Our dividend payout ratio has increased by 34% over the past six years, enabling us to maintain strong shareholder returns consistently throughout this period.

%	2018	2019	2020	2021	2022	2023
Capital adequacy ratio*	16.2	17.9	17.1	16.3	19.6	18.7
Dividend payment ratio	59.4	53.7	59.2	68.4	67.5	79.7

*Post dividend

Dividend payout ratio against Capital (%)

%	2022	2023
CET1	16.9%	16.3
Capital adequacy ratio*	19.6%	18.7
Dividend payment ratio	67.5%	79.7

*Post dividend

Interim Finance Director's message continued

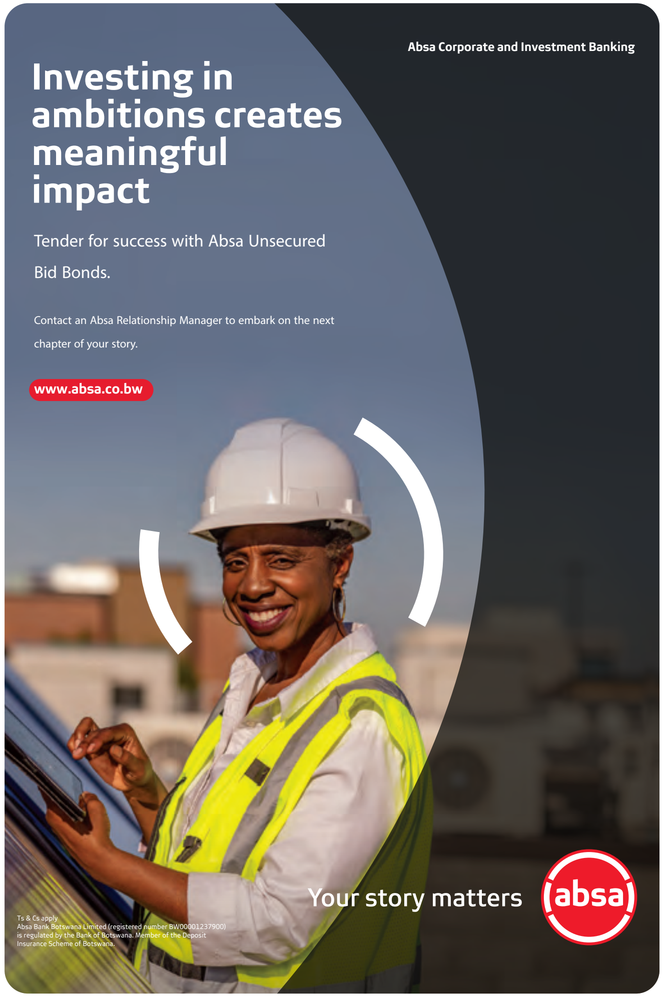
Our total regulatory capital position of P3.4billion reflects a capital adequacy ratio of 19% post declared dividend, which is well above the regulatory limit of 12.5%. This positions us favourably to harness growth opportunities. As a result, our 2023 full year dividend payout ratio stood at 80%, in line with our commitment to continue to deliver sustainable, meaningful value to our shareholders.

Unwavering medium-term commitments

Our strategy remains relevant and aligned with needs, instilling confidence in our ability to maintain our market position on a strong foundation. A high-level overview of our medium-term strategy is noted in the diagram below.

2023 (IFRS)	2024 >> 2025	2025 (IFRS)
CTI 57.1%	Digital Powered Business + Primary Partner for our Clients + Productivity focus + Faster growth	CTI low 40s
RoE >20.6%		RoE sustainability >21%

Furthermore, we remain confident that our medium-term targets remain relevant.



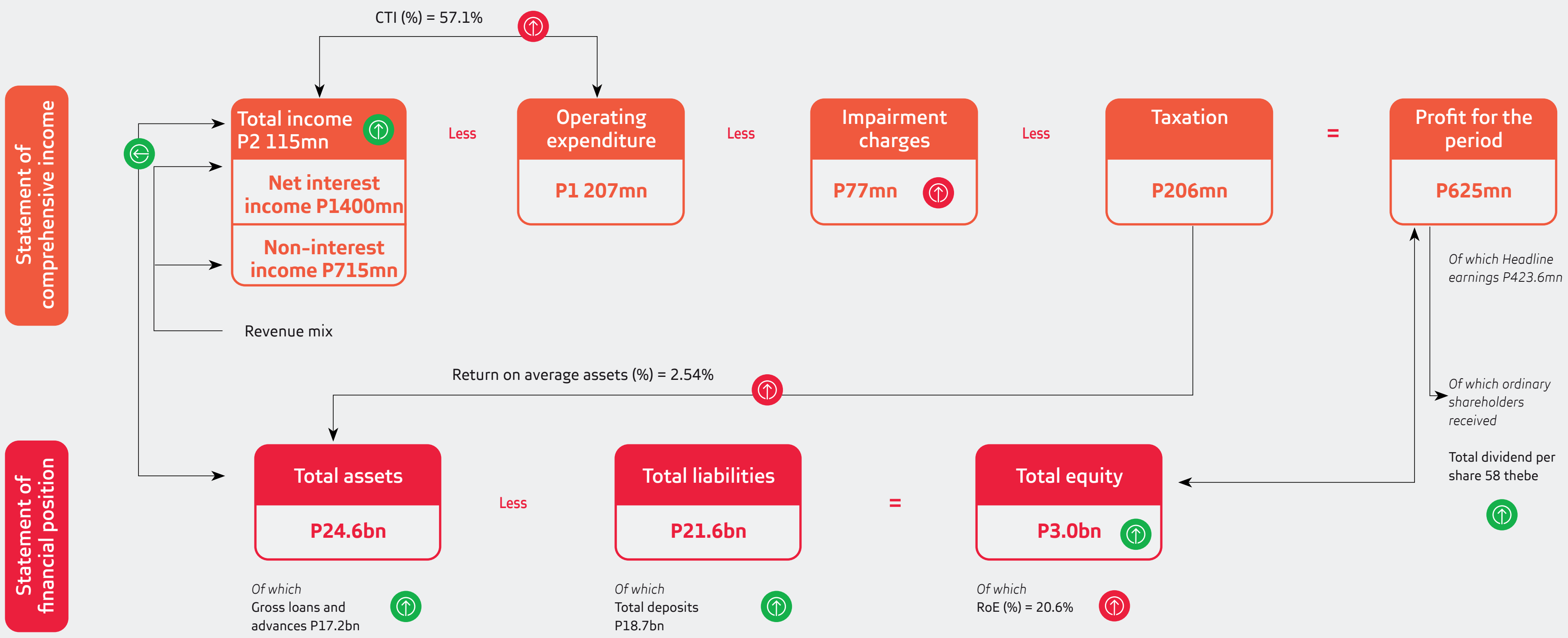
Looking ahead

We therefore forecast our 2024 financial performance to report:

- Lower double digit revenue growth driven by both net interest and non-interest income,
- Costs to income ratio to be in the lower 50's, and
- Consequently, we expect our return on equity to sustainably remain in the 20's.

Interim Finance Director's message continued

Finances at a glance



Diversify revenue streams with deliberate transactional led growth

We will be purposeful regarding where we compete, identifying attractive growth opportunities by segment, sector, and product. We will allocate our capital sustainably and manage risk appropriately.

Accolades received

Voted Euromoney Cash Management Survey 2023:

- Market Leader Botswana
- Market Leader Financial Services Botswana
- Best Service Small companies in Botswana

Material matters

- Accelerating economic momentum
- State-to-sector interconnectedness
- Supporting social cohesion

Capitals affected

Contributing SDGs

SDG 8

Selecting mode of customer service delivery by...

Our customer-centric approach ensures that we tailor the reach and relevance of our products and services, to align with the diverse needs of our customer base across segments.

... focusing on our digital footprint and cost-effective service delivery

We offer a suite of digital services catering to our clients' evolving needs in today's fast paced world. This creates convenience for customers, eliminating the need for them to carry cash, adhere to branch operating hours or physically visit a location. For example, we introduced Absa Mobi Tap for Small, Micro and Medium Enterprises (SMMEs) to receive payments through their mobile phone. A digitally powered business contains more information on advancing our digital footprint.

Our agency banking proposition was launched at the end of 2022, and continues to play a crucial role in enhancing market penetration and financial inclusion. By leveraging existing retail networks and technology, it makes banking services more accessible, particularly in underserved areas. This model not only helps us reduce costs but also fosters economic growth, by bringing more people into the formal financial system. This enables us to service and acquire clients through new client touchpoints, increasing our reach beyond physical and digital channels. Our initial focus for the proposition is on establishing and deepening our relationships with major retailers, and offer greater convenience to our customers by bringing banking closer to them in their day-to-day life.

... expanding through strategic partnerships and collaboration

We foster strategic partnerships to drive market share growth, enhance vital strategic capabilities and accelerate speed to market. The Bank has long-term strategic agreements designed to be mutually beneficial and non-competitive, involving mobile network companies (MNOs), private and government entities, and FinTechs. We made strides in diversifying our Enterprise Supply Chain Development (ESD) program from the diamond value chain concentration to other sectors such as telecommunications, construction, and fuel.

Targeting growth in attractive client segments through...

... data-driven client engagement

Pursuing growth in attractive client segments is a dynamic and multifaceted strategy. One of the initiatives pursued during the year has been investing in data commercialisation efforts, enabling the provision of targeted offers to clients. This approach has been instrumental in enhancing client engagement and driving growth.

We undertook customer value proposition research to improve our retail strategy on how to acquire, retain and grow our customer base, gaining insights to form the basis of revamping our transactional banking proposition, value proposition optimisation and how to compete effectively.

Strong performance in the Markets segment was driven by our deep understanding of the volatile macroeconomic environment, and expertise in supporting our clients through data driven tailor made risk management solutions, prudent risk taking and the introduction of new and innovative financial market products. The efforts culminated in a significant uptake of risk management products, as more companies sought to minimise the impact of foreign exchange and interest rate volatility to their businesses, by utilising derivates such as Foreign Exchange (FX) options, Swaps and Structured Products.

By leveraging market research and client data, we aim to develop attractive value propositions that resonate with our target audience. The research findings will help us create more relevant propositions and ultimately assist in deepening financial inclusion.

Diversify revenue streams with deliberate transactional led growth continued

... supporting women, youth entrepreneurs and young professionals

To cater to the needs of the SME segment, we launched unique banking solutions to support youth and women-owned businesses. In the year under review, the Bank launched a key product dedicated to women, the "See Her Empowered" (SHE) account as a symbol of our dedication to supporting women-owned businesses and advancing gender equality.

Our flagship products tailored for the youth segment are the Future U Savings account and the Ignition account, designed for individuals under the age of 24. Our objective is not only to provide financial services but also to impart financial literacy to our young customers. Through the Future U savings account, we aim to educate and incentivise our young savers by offering additional interest rewards for each quarter they don't withdraw from their account. The Ignition account serves as an entry point into the realm of banking, equipped with a Visa card to facilitate transactions and introduce banking concepts to our youthful clientele. In addition to these transactional account offerings recent graduates have access to our graduate loan which provides access to unsecured lending products, specifically tailored for individuals who have graduated within the past three years. Through our youth roposition we aim to seamlessly transition our youth into independent bankers, empowering them to embark on their banking journey with confidence.

...enhancing offerings for diverse segments

We partnered with SCI Wealth to introduce customers to fiduciary services with a focus on wills and estate planning. This product was launched in the fourth quarter of 2022 and has seen over 500 customers interacting with SCI Wealth. SCI Wealth has been offering financial planning and investment advice for over twenty years in Botswana, and their team includes Certified Financial Planners. Our clients' benefits from the partnership includes a free first consultation with SCI wealth's qualified financial advisors.

Our digital wallet, Spark by Absa, significantly improves Absa and non-Absa customers' ability to transact with ease while growing and promoting financial inclusion. This platform plays a pivotal role in promoting financial inclusion by providing accessible, convenient, user-friendly payment solution which is cost-effective for both individuals and SMEs.

Through our Business Banking segment, we utilise our deep-rooted agricultural specialisation to contribute to the efforts of Botswana government in realising its strategic drive of food security and sufficiency, as well as unlock agribusiness opportunities in our market. Business Banking provided funding to the sector, realising significant growth in agribusiness of 24% in lending portfolio and 89% in deposits. In addition, we offer our agribusiness clients tailor made agric-insurance products that cover livestock, veld against fire, goods in transit, crops, and asset insurance just to mention a few, demonstrating our deep understanding of this critical industry's unique demands and challenges.

Strong performance under Corporate and Investment Banking emanates from the commitment to drive new revenue streams, enhance client value propositions, and the culture transformation that we are undertaking. The business was actively involved in mining, energy and infrastructure development sectors which led to an increase in client base and an improvement in transactional activities. The Bank remained committed to supporting national initiatives, especially in ensuring energy self-sufficiency. This commitment led the Bank to offer lending facilities to key clients and actively fund the sector's ecosystems through collaborative value chain financing. Active participation in emerging commodities such as copper remains an area of key focus.

We believe that dynamic segmentation drives client primacy, retention, engagement, and cross-selling opportunities, ultimately delivering transactional-led growth for the Bank. *Primary partner for our clients* explores these benefits further.

Renewing and expanding product suites by ...

Renewing and expanding product suites is integral to modern banking strategies, focusing on offering integrated propositions that deliver substantial value to clients. This approach hinges on developing comprehensive packages, innovative product designs, and strategic partnerships to enhance client experience and drive business growth.

...launching differentiated banking packages and driving innovative product design

Key to this strategy is the introduction of differentiated banking packages that drive primacy and offer cross-selling opportunities. The Bank launched unsecured bid bonds which enables Business Banking and Corporate Banking clients to participate in projects of national importance particularly those in the infrastructural space. The Bank also experienced a significant uptake in government bonds from onshore and offshore investors given the relatively attractive bond yields and higher levels of local liquidity.

Innovation and customer centered design is a strategic focus of the Bank, leading to the enhancements to our products and services including Retail and Business Banking online account opening and various enhancements to our credit card offering. Details included in the *primary partner for our clients* section.

... developing tailored propositions

The Bank further deepened participation in Muslim community following the launch of Islamic Banking in the prior year. This proposition is delivered through a phased approach, and we are encouraged by its uptake. The Bank plans to introduce more solutions to the proposition in the medium term in order to respond to the needs in this niche market.

The Bank prides itself in being a thought leader and product pioneer in the local capital market. To respond to changing local financial markets regulatory landscape, we introduced a suite of

Diversify revenue streams with deliberate transactional led growth continued

yield enhancement products to house pension assets that will be repatriated to Botswana over the next few years. We expect these products to go a long way to provide investors with low-cost alternative assets that have meaningful diversification benefits. In line with this strategy, the Markets business executed the first to market foreign exchange (FX) linked deposit in 2023. This positions us as a partner of choice for clients looking for bespoke investment solutions, particularly considering the revised pension funds onshore/offshore asset allocation limits.

Resulting in resilient and diversified bank performance

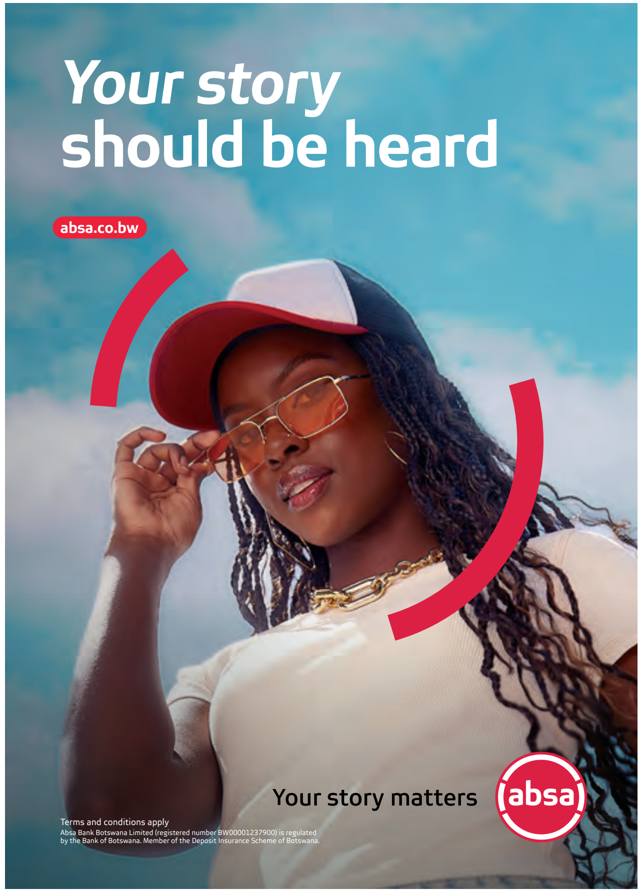
We are purposeful in our efforts to create a more diversified business across segments and products, as we look to areas with attractive growth prospects. Corporate and Investment Banking's strategic focus on growth and emerging sectors has led to a 25% year on year revenue growth. Since 2018, our non-funded income (NFI) contribution to total revenue has remained above 30%. We will increase this diversification in future by allocating capital to attractive growth prospects and enhancing our digital offerings.

Where to from here – focus on 2024

- Delivering sustainable shareholder value
- Focusing on growth in specific segments, sectors and products
- Boosting primacy and non-interest revenue (NIR) through deepening client relationships
- Increasing client base by focusing on Retail entry-level and inclusive banking and Business Banking SME client base
- Growing large corporate clients in key sectors aligned to the country's national development plans.

The takeaway from this story...

Our resilient results were supported by a diversified business and products. We will continue to focus on expanding our business by focusing on different segments and non-interest-generating products.



The primary partner for our clients

We will be the primary partner for our clients by truly understanding and meeting their day-to-day needs, creating and delivering value across the entire client relationship. We will build a brand our people and clients can be proud of.

Accolades received

Awarded 2023 Global Banking and Finance Awards®

- Best Agri Business Botswana
- Best SME Bank Botswana

Material matters

- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition.

Capitals affected

Contributing SDGs

SDG 5 | SDG 7 | SDG 8 | SDG 10 | SDG 13

Improving primacy and client acquisition by...

... delivering innovative offerings

In 2023, our Retail segment launched a Win-a-Moraka campaign to drive deposit as well as cultivating and propagating a vibrant savings culture among Batswana. The campaign was also a tool to enable our customers to sow seeds towards their goals and dreams. The choice of the prizes was influenced by our profound understanding of our local market, taking into consideration that livestock is an integral part of Batswana's lives. It symbolises not only wealth, but our cultural heritage and aspirations. By offering these prizes, we aimed to bridge the gap between modern banking and the rich traditions that define us. The campaign significantly contributed to the Retail segment's deposits year on year growth of 11%.

Policy and credit parameters were enhanced to support effective portfolio management solutions and proactively detect stressed clients, thereby tailoring solutions accordingly. Forbearance programs and improved models delivered tailor made options for clients across stressed and impacted sectors. The debt collection initiatives have been executed timeously and efficiently. These efforts better positioned our clients to navigate the challenging business environment while optimising growth opportunities.

We strongly emphasised hosting strategic sector and segment specific client events across the country. These events have been instrumental in deepening client relationships, sharing industry best practices, supporting innovation, and facilitating acquisitions. This approach has helped strengthen our sector presence and positioned Absa as a leader in fostering collaborative and innovative banking solutions.

The government continues to strive for economic diversification from diamonds, enabling foreign mining investment, particularly in the coal and copper sectors. To this end, our Corporate Banking segment hosted a mining thought leadership event, bringing industry players under one roof to share ideas which included exploring non-diamond mining opportunities. In addition, through leveraging the annual Absa Africa Financial Markets Index (AFMI) insights, our Markets team provides clients with tailor-made risk management solutions to help them manage their foreign exchange risks, interest rate and commodity risks more effectively.

Our Business Banking segment sustained its empowerment of local businesses participating in the large corporate value chain through our Enterprise Supply Chain Development (ESD) programme which has stood the test of time and is yielding great dividends for our clients and the economy at large. Furthermore, Business Banking continued its efforts to support the country to achieve food security and become self-reliant through engagements in various activities, sponsoring and participating in major agricultural events across the country. Notably we sponsored the Ghanzi Show, Mookane Agric field day, Sandveld Farmers Association field day, Pandamatenga Agric Show, Voorslag, Trifecta Smallstock Auction sale and we were the main sponsor for National Agricultural Show, reaffirming our commitment to supporting and empowering local farmers and entrepreneurs.

Innovative offerings and participating in national events with a wide audience not only drive primacy and acquisition but are integral to *diversifying our revenue stream.*

Measurement	Retail and Business Banking	Corporate Banking
Active customers (thousands)	276.4	0.2
Transactionally active customers (thousands)	136.2	0.2
Average product holding – Retail	2.63	N/A
Average product holding – Business Banking	2.5	N/A
Customer primacy %	N/A	57.1%

... driving primacy through technology

The Bank's digital platforms have been crucial in enhancing client experience. Clients increasingly choose digital channels for transactions and engagements, demonstrated by the growth in digitally active clients to over 81 thousand.

The Absa Banking mobile app has been expanded to include savings account opening, in app authentication and bank to wallet as well as Card Send payment, significantly transforming client engagement and distribution efficiency. This digital shift is supported by substantial investments, training and proficiency initiatives, particularly in branch environments where digitisation and migration of services are prioritised.

We launched several innovative products and services, further solidifying our digital presence. These include the Absa Mobi Tap, various enhancements to our credit card offering, RBB customers self-onboarding solutions which facilitates not only primary but client acquisition as well. Refer to the digitally powered business pillar below for more details.

The primary partner for our clients continued

... by simplifying processes and fast-tracking service

The continuous improvement in client onboarding and service delivery has been a critical focus, emphasising streamlining work processes and reducing turnaround times. These efforts are crucial in enhancing client satisfaction and acquisition, as they directly impact client's experience with our services.

A significant advancement in our strategy has been embedding digital tools to manage and process client requirements more effectively. These tools have improved operational efficiency and provided clients with a more seamless and satisfying experience. Our initiatives to fast-track client service are starting to yield results. For example, we successfully shortened unsecured loans process through implementation of straight through processing capability. This has led to loan disbursement improving from an average of nine days to three or fewer days.

Resulting in superior client experiences...

Customer experience management and customer obsession remains our priority. To ensure we meet customer expectations, we are deliberate in ensuring services are fulfilled as committed and that complaints are dealt with accordingly. We want our customers to feel that their best interest is always considered, especially during the complaint process. Ultimately, we want our customers to feel they have been treated fairly. The Treating Customers Fairly (TCF) score measures our clients' perception of our performance against the conduct standard for banks and the expected TCF outcomes. The Client Experience Index (CXI) score measures the service quality experienced by our clients. The below outlines the positive strides we have made in this area.

Measurement (%)	Trend	2020	2021	2022	2023
Customer Experience					
Retail Banking	▲	71	77	81	102
Business Banking	▲	65	63	54	88
Corporate and Investment Banking	▲	64	77	63	69
Treating Customers Fairly (TCF)					
Retail Banking	▲	82	83	84	86
Business Banking	▲	74	79	83	82
Corporate and Investment Banking	◀▶	90	88	88	86

CXI continues to improve across business units. Retail Banking trajectory is impressive, and it is within the 'very good' to 'excellent' range. The upward trend demonstrates the deliberate focus on customer experience, digital capabilities and product proposition strengthening to meet customer needs. Business Banking scores range in the 'very good' range with significant improvements in the SME space, reflecting a continued focus on client need servicing and service capabilities. Mobi Tap and an account tailored for businesswomen (See Her Empowered or SHE Account) have facilitated positive sentiments and the heightened CXI scores for RBB clients.

CIB has shown a marginal improvement. Enhancements included In-App authentication on Absa App, as well as our digital wallet, Spark by Absa, enablement of multiple wallets onboarding and a merchant service portal to facilitate salary disbursements and new propositions. CIB client experience scores have surpassed targets and is underpinned by improvements in complaints resolution and our foreign exchange and online channel, which have driven client sentiments up.

Treating Customers Fairly (TCF) scores are largely in the 'very good' range. Strong ratings achieved across segments are due to the Bank acting with integrity, delivery of customer expectations, treating clients' private information as confidential, as well as clients trusting Absa to behave honestly. This indicates the sustainability of our conduct.

Absa Bank Botswana noted a 3% reduction in customer complaints compared to 2022. Less than 1% of the complaints were referred to the Banking Ombudsman and Central Bank, translating to a 32% reduction in comparison to 2022. This was achieved through rigorous management of complaints root cause factors and a focus on improving processes that impacted customers negatively.

...and a brand we can be proud of

During our business strategy review in 2022, we critically appraised our brand and its ability to continue to support our new direction as a business. This led to Absa defining our refreshed purpose launched in 2023, "Empowering Africa's tomorrow, together...one story at a time". The new purpose has birthed a renewed sense of pride, optimism and energy across the Group. Our new brand positioning will allow us to effectively drive primacy by being more compelling, distinctive and to build a more cohesive narrative around our story and reputation. It will further leverage our strategy of being an active force for good and promoting financial inclusion.
We have also repositioned our business and brand to the market, signaling a shift to being a more deliberately customer-centric business with the new brand promise of 'Your Story Matters'. It aims to set a clear trajectory to ensure that the organisation's entire suite of services and offerings lives up to being a more human-centred, empathetic banking services provider by seeing an opportunity in everyone's story. The refreshed brand strapline is part of the business' ambitions to align its offerings and brand experience with its internal corporate purpose.

Our new approach is centred on the nature of our client relationship and how the Bank can make relationships more empathy-led and meaningful. This is supported by a digitally enabled client experience, making banking with Absa far easier and seamless. The Bank knows that the outcome determines the true measure of success and have embarked on a programme of internal engagement and culture alignment to ensure that it delivers on our promise beyond expectations.

Where to from here – focus areas 2024

- Improving client experience and value propositions while utilising comprehensive metrics for client engagement
- Enhance Spark by Absa digital wallet to drive market penetration
- Increase footprint through agency banking to better serve the unbanked and Spark customers
- Enhancing client-centric propositions and deepening relationships
- Creating integrated, omnichannel solutions with value-added services
- Developing personalised interactions and engagement through deep client analytics.

The takeaway from this story...

We are building deeper relationships with our clients and will continue to pursue opportunities to build non-interest revenue. We are launching client-centric propositions supported by integrated omnichannel solutions and value-added services.

A digitally powered business

We aim to be a digitally powered business delivering seamless experiences to delight our clients and employees, shape the future with data and applied AI, transform our technology landscape through digital ecosystems. Furthermore, strengthening trust and security while promoting agility will enable our ambition to achieve the Bank's market share growth ambition.

Accolades received

Silver Recognition Award for Mobi Tap at the Qorus Reinvention Awards in Botswana.

Material matters

- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Rising regulation
- Evolving employee value proposition.

Capitals affected

Contributing to SDGs

SDG 8

SDG 10

Our digital strategy aligns with our organisation's long-term ambition of market share growth. However, digital transformation is about delivering value to our customers, clients, employees and ultimately our shareholders. Developing the Absa technology roadmap was a holistic process that the Bank completed across all its functions in 2023 with 2024 being our first year of full execution.

The technology roadmap has four focus areas:

- Delivering seamless experiences to delight clients and employees
- Shaping the future with data and applied AI
- Transforming the technology landscape
- Contributing to the Group's ambition of being the home of Africa's top technology talent.

Our implementation approach is to think big but start small and learn fast. To ensure the technology roadmap is focused on outcomes, we were guided by crucial design principles – all in service of banking architecture that fosters innovation and solution delivery at greater speed. This approach, powered by digital, data and AI innovation, equips us to thrive amid the evolving macro environment.

Delivering seamless experiences to delight our clients and employees...

Our digital transformation journey as Absa is driven by digital adoption, digital experience, and digital value. We are accelerating our digital adoption by increasing the number of digitally active customers and digital transaction volumes on our digital platforms, as we seek to make banking seamless for our customers and employees.

We continue to enhance our clients' and employees' digital experiences, driven by several key initiatives across our various technology teams that focus on end-to-end redesign and new digital capabilities.

...by advancing our technology estate

We continue to foster digital adoption through the embedment of our online platform, Absa Access Online (AAO), a digital banking platform where Corporate and Business Banking clients can access all banking services in one place through a single sign-on. The roadmap of our channel strategy had 2023 largely reserved for onboarding our clients on the AAO platform with 2024 slated for building scale and enhancing its competitive digital capability which is guided by our understanding of clients' needs. Our client experience on the AAO has improved with increased security measures, expanded functionality, and simplified use of electronic channels. This led to a 9% year on year increase in our clients adoption of AAO. As we complete the migration of our clients to Absa Access in 2024, we will focus on maintaining channel resilience and ensuring a sustainable level of client experience.

...and taking steps to continuously improve

Furthering our digital channels

Enhancements in our digital service offerings have significantly bolstered our customers' adoption of our digital channels. We digitised our credit card offering enabling clients to activate their card, view their card details, freeze (or unfreeze) their cards, credit limit increases and decreases requests, view or reset their PIN on our banking application and our internet banking platforms.

Additionally, we introduced a buy-now-pay-later capability on our credit card, empowering our customers to choose when and how to pay by converting their single card purchases into monthly instalments making their purchases affordable. We further enhanced convenience to our clients through the launch of Absa Card Send to facilitate our customers to send and receive money locally and internationally from other visa cardholders with enabled banking partners.

Our technological advancements are highlighted by the successful deployment of the Absa website to the new Absa-managed Amazon Web Services (AWS) cloud environment. Likewise, the Absa mobile app has been expanded to include savings account opening, in-app authentication and bank to wallet, significantly transforming client engagement and distribution efficiency. This digital shift is supported by substantial investments, training, and proficiency initiatives, particularly in branch environments where digitisation and migration of services are prioritised.

A digitally powered business continued

Enabling end-to-end digital onboarding functionality

The Retail Banking segment launched digital onboarding in March 2023 which aims to provide customers with a seamless and efficient way to open accounts and manage banking services using digital platforms. This channel is designed to enhance customer experience by reducing the need for physical branch visits and streamlining the onboarding process. There has been a positive uptake of this offering.

For Business Banking, SME clients have been enabled to utilise the Banking App to submit their Know Your Customer (KYC) documentation for account opening. This streamlines the compliance process and helps in reducing the time and effort involved in physically submitting documents, enhancing the overall client experience.

Developing new products

The bank launched a first to market payment solution, Absa Mobi Tap which allows merchants to process contactless card transactions using their smartphones. This innovative app turns a smartphone into a secure payment terminal, eliminating the need for traditional point-of-sale (PoS) devices. Merchants can simply download the app, set up their profile, and start accepting payments by having customers tap their contactless cards on the back of the smartphone. This solution is particularly beneficial for micro, small and medium-sized enterprises, especially those with mobile operations, such as taxi services, restaurants, salons, and market vendors. It aims to simplify and accelerate the payment process, promoting financial inclusion by providing an easy and cost-effective way for SMMEs to accept digital payments.

Enhancing our ATM experience

We also enhanced our ATM capabilities by rolling out dynamic currency conversions for foreign clients visiting some of the Absa ATMs. This allows the client to lock in the exchange rate for that day at a competitive price point. Lastly, we optimised our transaction switching to route Absa cards utilised on our ATMs and devices directly within our network, thereby decreasing the cost of processing these transactions.

Shaping the future ...

...with data

Data as a significant asset, partnered with the emergence of AI, is identified as a critical technological trend influencing the banking ecosystem and has the potential to transform how we interact with our clients. Moreover, we recognise that data is the lifeblood of any digital transformation. We have made significant investments in our data estate, people and platforms.

Our focus going forward will be on amplifying our data platforms and solutions into data products, to further enhance value and modernise our client master data application as a critical enabler of the seamless digital experience.

...and applied AI

AI, machine learning (ML) and GenAI are already used in various ways in the banking industry, from fraud detection to client service. With the help of AI and ML technologies, we are working to continuously improve our monitoring, ensuring better visibility and faster resolution. Likewise, significant opportunities exist to automate risk management activities and specific aspects of client servicing and experience.

Transforming our technology landscape ...

We have refreshed our digital capabilities across our business and applied modern architecture and tools to improve client experiences. We have attracted over eighty-one thousand digitally active clients and introduced multiple new products, including the Absa Mobi Tap and Absa Card Send.

Coupled with advancements in digital, data and technology, such as the emergence of GenAI, third-generation core banking solutions, and Edge Computing, we have the potential to make a targeted investment through the business-led technology roadmap to grow our market share:

- Shifting our current retail banking architecture to increase the execution speed of new business innovation
- Improving the flexibility and scale advantage through next-generation technology like APIs, AI and cloud
- Applying digital thinking and technology to our most important business critical areas, including client journeys, banker enablement, employee experience, and marketing, while addressing our technical heritage.

Our ambition as Absa to be a leading technology bank is declared and set out in our growth and financial aspirations, in that we have identified digital enablement as one of our differentiators. This supports our ability to innovate rapidly, quickly respond to client demands and maximise efficiency. We performed ongoing remediation of our infrastructure and application environments to improve stability and enhance the security of systems across the estate.

Ensuring trust and security in a digital world ...

We continue to make steady progress in decreasing the trend of high-impact incidents and providing reliable and stable online and digital services to our clients. We are forging ahead to lift the bank out of legacy environments as we continue to improve the technology and security within the Bank.

...by continuously bolstering our security position

In an environment characterised by increasingly sophisticated cyber threats and fast-paced technological change, our internal security controls remained resilient with no severity one or two incidents recorded since 2021. We focus on managing the Bank's security risk exposure by proactively managing threats and related risks and ensuring that incidents are handled efficiently and effectively. Our cybersecurity fabric adopts a holistic paradigm, integrating multi-layered defences across various operational domains, achieving a synergetic alert-to-incident response capability. This approach has been instrumental in fortifying our threat mitigation tactics.

We remain aware of the emerging threats from AI and ML large

A digitally powered business continued

language models and continue collaborating with global partners to monitor these in real time. Our investments in software updates that enhance security allow us to benefit from advancing AI technologies in defending against new threat vectors and actors. We continue to strengthen our global partnerships with cybersecurity think tanks and law enforcement agencies to ensure we can stay updated on the latest emerging threats.

With AI accelerating digital fraud, cyber awareness is a critical emerging theme for us to tackle for employees and clients. We will continue to invest in emerging technologies to protect the Bank and equally invest in our people and clients to ensure they are cyber-aware as the threat landscape evolves.

...and safeguarding our clients

In response to the sophisticated and evolving tactics employed by fraudsters and criminals aiming to defraud the Bank and our customers, it is imperative that we proactively adapt and fortify our defence mechanisms. The dynamic threat landscape demands our unwavering vigilance, especially as the financial services sector experiences exponential growth in payment journeys, providing a larger attack surface for malicious actors. These actors take advantage of data observed globally and employ advanced social engineering tactics to manipulate victims, leading to a surge in payment fraud across digital and e-commerce platforms. Cognisant of this threat and being mindful of the importance of safeguarding our clients' money, we introduced mobile in-app authentication, a major security update to digital platforms, which enables clients to bank more securely.

To counter these challenges, Absa's strategy includes implementing real-time disruption measures that utilise biometric technologies alongside cutting-edge data analysis and scoring methodologies to swiftly identify and thwart fraudulent activities. Concurrently, the Bank is enhancing customer education programmes, which are crucial to equip our clientele with the knowledge to recognise potential fraud indicators and understand effective strategies to respond to threats. By concentrating our efforts on these pivotal areas, we are better positioned to defend against the increasingly sophisticated strategies of these malicious entities, thereby safeguarding our customers and the integrity of financial systems.

We contribute to Absa Group's ambition of becoming the home of Africa's top technology talent ...

To achieve digital transformation, technology must be our partner. Our technology roadmap focuses on maturing the critical capabilities required in Absa Group as a whole. However, we understand that digital transformation is not just about technology. It is also about leadership, culture, talent, and digital ethics.

...by tackling global skills challenges

We have business leaders who deeply understand digital, data and technology and its transformative capabilities. We also continue to collaborate across the business to solve the global challenges in attracting, retaining, and developing critical digital skills to enable delivery against our strategy. A comprehensive range of initiatives targeting key talent areas has been created, forming a holistic strategy for Absa Group to become a leading technology employer in Africa.

Where to from here – focus areas 2024

Our technology roadmap, completed in 2023, articulates how technology, data and digital capabilities enable the next stage of our digital transformation journey and contribute to market share growth. Execution of the roadmap is underway using a business-led, value-driven philosophy. As we enter 2024, the focus is on:

- Delivering seamless experiences to delight our clients and employees by creating value through continuous digital innovation and improvements
- Shaping the future with data and applied AI, including GenAI, underpinned by building a thriving ecosystem from data collaboration and innovation
- Prioritising digitising sales and onboarding to grow a digitally active client base and improve client engagement
- Embedding technology and digitalisation to support agility, client insights and tailored propositions
- Transforming our technology landscape through our cloud-first, data-led and API-only approach while ensuring that we promote sustainable technology practices and collaborative partnerships
- Furthering our technology transformation to transform channel shape.

The takeaway from this story...

We are strengthening our digital offerings across all segments and using advanced analytics to enhance our clients' digital experience. Increases in our digital adoption rates and client experience scores are reflecting positively. Innovation and sustainable technology practices through collaborative partnerships remain key focus areas.

A winning, talented and diverse team

We will build a winning team by developing a competitive advantage by attracting, and retaining Africa's leading talent, organising distributed leadership around our clients, and supporting and enabling our people.

Accolades received

- Top employer 2023 – Top Employer Institute ®
- Best Bank for Human Resources and Recruitment Botswana at the 2023 Global Banking and Finance Awards®

Material matters

- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Evolving employee value proposition

Capitals affected

Contributing to SDGs

SDG 5 SDG 8 SDG 10

The Bank accelerated its efforts in building a future-focused workplace where our purpose-led talent has a deep sense of belonging and feels cared for, rewarded, recognised, and empowered to meet both the future world of work and client-centred demands. The Bank's investment in its employees continues to position the bank favorably, evidenced by the recognition as the Top employer in our market.

Building a competitive advantage through culture ...

Our culture serves as a bedrock upon which the Bank strategic ambitions are achieved. In 2023, the Bank continued its culture transformation journey aimed at influencing specific consistent behaviors aligned to company values and purpose, underpinning our commitment to building a resilient and inclusive workforce of the future that enables sustainable performance.

Underpinning the strong commitment to culture transformation, the Bank also progressed on its journey by co-creating a new set of Absa values. *Our values* are complemented by a set of behaviours and together, they guide how the Bank should interact with its employees, clients, and the communities in which it operates.

We assess how effectively we live our values through our annual employee survey and regular pulse surveys, course-correcting any areas for improvement.

...by listening to our employees' stories

The year 2023 illustrated the management's commitment to creating a platform for employees to air their views and recommendations of how to create an enabling work environment. The Managing Director and the Country Management team held various engagements with employees at their primary workstations to foster alignment, communication, inspiration, empowerment, and continuous improvement, motivating employees to contribute their best efforts towards achieving the Bank's strategic objectives.

The engagements contributed to our employees participating in our bespoke employee experience survey, reflecting buy-in of our employees to our culture transformation. The Bank realised a 3% increase on the employee experience index, as an outcome of the survey. While 3% increase may seem insignificant at face value, its impact becomes noteworthy when it spreads across the bank. It is a testament that management listened to employees and made concerted efforts to address their concerns to improve their overall experience at work.

...and cultivating a sense of belonging and collective ownership

In recognising the contribution of our employees to the Bank's success, we launched the Absa Group Limited employees phantom share scheme in 2023, with over 1 000 eligible individuals participating in the scheme. This scheme is a cash equivalent award of the Absa Group employee share scheme and will run for a period of five years.

Contributing to Absa Group's ambition of becoming the home for Africa's leading talent ...

...by fostering diversity, equity, and inclusion

Our talent acquisition is based on driving diversity and inclusion. With the current ratio of 71:29 female to male population, it is our deliberate intention to recruit where practical more men than women. Our focus is on men aged 22 to 35 years to dilute the age mix that currently seats at 42 years.

Embracing generational diversity and fostering inclusion has become a central priority to the Bank. Our focus on generational diversity and inclusion comprises of cultivating a space where all generations contribute and belong, enabling youth to engage in the economy. Currently, individuals under 40 make up 34% of our workforce, thus contributing to the support of youth employment.

A winning, talented and diverse team continued

...and nurturing talent for the future

Our talent acquisition, development, and succession ambitions have been reset to support our growth aspirations. Our succession philosophy has evolved from pipeline management to portfolio-based succession planning, identifying talent across all businesses and functions for various potential future roles and building portable enterprise talent across the Bank. Significant progress has been made in strengthening the succession base through a data-led approach, enabling effective, individualised successor development.

Supporting and enabling our people...

...by growing their skills

The Bank continues to make progress in prioritising training and development of its employees. This is evidenced by our P7million investment in training for the year 2023. The Bank established a learning strategy to enhance capabilities, skills preparedness, and employee experience. The training agenda focused on developing scarce and critical skills vital for growth while adapting to changing needs.

The Bank therefore classified its training initiatives into three categories: leadership and management training, technical training, and regulatory training. Through our strong commitment to culture transformation, the Bank emphasised leadership and management training, which accounted for 75% of our training spend. This investment was underpinned by recognising that leadership plays a pivotal role in shaping and sustaining organisational culture. Through tailored leadership training programs, the Bank cultivates a deep understanding of the values and behaviors among employees, empowering leaders to embody these principles in their daily actions and decisions.

In addition to the 2023 leadership training, the Bank enrolled six graduates from diverse disciplines relevant to the banking industry through the Absa Gen A Graduate Development Programme, delivered in partnership with Duke University. The programme enables the Bank to enhance its talent pool which feeds into our junior management cadre and long-term succession pipeline.

The Bank also has a skills cross-pollination programme which is a training avenue, where our talented employees are deployed to other markets in Absa Group to foster skills exchange and growth opportunities. The focus is on employees who hold critical skills, have been classified as top talent and fit into the future narrative of the bank. In 2023, the Bank provided secondment opportunities to three colleagues. The Bank also hosted five employees from other Absa markets, further enriching our collective expertise and knowledge base.

Technical training focused on equipping employees with future fit skills such as digital, data analytics and security. Additionally, regulatory training provided to employees was tailored to enable them to be abreast with the evolving regulatory landscape focusing on areas which are crucial to our operations such as cyber security, anti-bribery, and data privacy.

...by valuing and acknowledging sustainable performance

At the core of our remuneration strategy, our efforts strategically allocate reward resources aligned with performance, ensuring appropriately competitive total remuneration. As part of the Bank's efforts to ensure relevance to the ever-evolving legislative landscape and competitive labour market, we commenced a project aimed at reviewing of our human capital policies to ensure that they are relevant, clear, complete, and effective. This exercise will ensure that the Bank is aligned to modern trends and best practices, thus making it an employer of choice in the process.

The Bank sought to increase trust in its remuneration frameworks and outcomes with all stakeholders through improved transparency and enhancing the link between performance and reward outcomes. In a quest to remain competitive in the market and retain our top talent and critical skills, the Bank, in 2023 embarked on a bespoke role specific remuneration survey that seeks to compare its pay levels with that of other banks in Botswana. The Bank has formulated a three to five year plan to achieve a fair pay position by moving all colleagues to a minimum position to market. Key actions taken include:

Rewarding our people	**Cultivating recognition and appreciation**
• Paid P634million in remuneration benefits, and incentives in 2023 (2022: P472million). • More details are in the remuneration report under the value created and preserved section, page 107.	• Integrated recognition practices into our daily operations and interactions. • Focused on embedding appreciation and recognition aligned with our purpose, values, and culture.
Evolving our performance management	**Aligning objectives with accountability**
• Continued to develop performance management through the MyContribution programme.	• Tailored objective setting in scorecards to reflect levels of accountability. • Empowered leaders to deliver effectively at the right level.

...while prioritising wellbeing

The Bank continues to implement activities that are aimed at enhancing the key components of employees' wellbeing such as psychological, physical and financial wellness. The Bank believes that supporting employees psychologically can enhance overall well-being, boost morale, and contribute to increased productivity. Our wellness strategy fosters a positive work environment to reduce stress, ultimately benefiting both the individual and the Bank. Furthermore, the Bank continues to avail free psychotherapy to its employees. The Bank also sponsors employees to participate in all key marathons around the country and has partnered with different health specialists to provide wellness training and keep employees abreast of wellness trends.

A winning, talented and diverse team continued

... creating a future-focused, sustainable business

Productivity, wellness, and engagement remain top priorities for the Bank. As such, we monitor attrition closely to understand further areas of improvement, adjustments to our talent and strategic workforce plans, and improvements to enhance employees' experience.

Absenteeism rates remained constant at 1.6% (2022:1.7%). Our total headcount increased to 1 039 employees (2022: 1028), and total employee turnover decreased to 3.3% (2022: 4.6%) against our target of 5%. As part of our ongoing commitment to ensuring the long-term success and sustainability of our business, it is important to prudently ensure alignment of our human capital to the evolving customer needs and regulatory changes while remaining relevant in a highly competitive industry. To this end, the Bank embarked on a restructuring exercise in the last quarter of 2023. This was geared towards roles that are pivotal to the levers we need to pull as we forge forward in executing our strategy. This exercise was concluded in December 2023, resulting in the reduction in our workforce in January 2024.

The Bank exited thirty-two employees on voluntary separation and seventy-eight on non-voluntary separation. The cost associated with the separation process amounted to P91million. During the process, employees were provided an all-encompassing wellness and care support programme which covered even those remaining in the bank. The programme included wellness and counselling with the support of a contracted psychology practitioner to provide employees with emotional and mental support as they go through the transition.

Furthermore, the employees were empowered with skills which included taxation management, entrepreneurial skills, financial management and growing their brand. Post the exercise, employees that left the organisation were given an opportunity to consult a qualified financial advisor at the cost of the Bank.

Employee relations cases were below the risk threshold as follows:
- **Misconduct** as % of workforce: 1% (target <5%)
- **Dismissals** as a % of misconduct cases: 23% (target <25%).

Where to from here – focus areas 2024

- Deepening our culture transformation journey to enable and sustain market leadership
- Strengthening leadership development to deliver sustainable organisational growth
- Amplifying talent management and mobility to build an abundance of enterprise talent who outperform in Absa Group's chosen markets
- Enabling sustainable employee and organisational resilience.

The takeaway from this story...

Our employees and collaborative culture remain the cornerstone of our success. Our culture fosters distributed leadership, diversity, equity, inclusion, and creates an empathetic and enabling working environment, which is the foundation for our growth ambition.

An active force for good in everything we do

We will manage climate change risks and opportunities, make a difference to the societies in which we operate, ensure the highest standards of governance and ethics, and actively influence public policy and regulation.

Accolades received

Best Agri Business Botswana 2023 at Global Banking & Finance Awards®
Best SME Bank Botswana 2023 at Global Banking & Finance Awards®

Material matters

- Accelerating economic momentum
- Supporting social cohesion
- Digital dependencies and vulnerabilities
- Climate change and a just transition
- Rising regulation
- Evolving employee value proposition

Capitals affected

Contributing to SDGs

SDG 5 SDG 7 SDG 8 SDG 10 SDG 13 SDG 16

Recognising the financial industry's vital role in society and the external environment, the Bank is committed to a sustainable future, actively supporting clients and the communities in which we operate on their sustainability journeys. Our goals are both to be a major contributor to renewable energy solutions and to become Botswana's leader in sustainable finance. We prioritise climate action, financial inclusion, education and skills development, and good governance as we integrate sustainability into our strategy.

We have identified our strategic objectives and gauged how their achievement will enable our purpose and contribute to the SDGs.

Making intergenerational wealth accessible to all by...

With an unwavering commitment to inclusivity, the Bank strives to make intergenerational wealth accessible to all. Through innovative financial products and services, financial literacy trainings, and strategic community partnerships, we empower individuals from diverse backgrounds to build, grow, and pass on their wealth to future generations. By fostering a culture of financial literacy and empowerment, we aim to break down barriers and create pathways for every individual to achieve their long-term financial goals, ensuring the unbanked and underbanked are fully equipped to participate fully in economic activities.

...expanding entry level and inclusive banking

Prioritising the entry-level and inclusive banking segment is essential for fostering sustainable growth and economic inclusion in Botswana. Several initiatives and innovations have been put in place to reinforce our commitment to break barriers to entry and empower groups expanding access to financial services. These include our digital wallet, Spark by Absa, agency banking and motshelo account.

Spark by Absa is one of the key initiatives that the Bank continues to enhance to drive inclusive banking, reaching the unbanked population across different geographies in our markets. This product fosters financial inclusion by allowing banked individuals to fund their Spark by Absa wallet and make payments to the unbanked.

Our digital wallet is complimented by Spark agency banking, a banking model which utilises retail outlets partners and SMEs to enable clients to conveniently deposit and withdraw cash as well as manage their Spark digital wallet. Spark's commitment to financial inclusion ensures even the most remote areas benefit, fostering economic self-sufficiency. The Bank currently has 66 Spark agents, mainly major retailers, who help customers enjoy the ease and convenience of performing transactions within their locality thus reducing the necessity to visit a branch or ATM. We remain steadfast in executing the agency banking rollout plan throughout the country to better serve the unbanked and Spark customers.

The Bank also offers Absa Motshelo account, aimed at transforming the traditional group savers scheme by providing enhanced benefits and security for its members. This helps in empowering these individuals and groups to participate in the formal financial system and improve their financial well-being. We enhanced the proposition in 2023 by introducing motshelo loan which provides the saving groups access to funding, enabling them to take advantage of opportunities they identify.

In 2023, the Bank launched the See Her Empowered (SHE) business account, which is a ground-breaking solution designed to promote the growth of Batswana women entrepreneurs. The account aims to provide increased financial support to women as well as equip them with technical and non-financial support. This reaffirms our dedication to being an active force for good as we actively contribute to women's financial inclusion.

An active force for good in everything we do continued

...promoting financial literacy

The Bank is dedicated to advancing financial literacy efforts across all segments and in the communities that we operate in. We recognise that empowering individuals with the knowledge and skills to make informed financial decisions is fundamental to achieving long-term economic stability and prosperity. The number of participants in our financial literacy training over the years is as follows:

	Trend	2021	2022	2023
Number of beneficiaries	▲	11 584	16 178	23 286

...empowering small to medium businesses through capacity building

The Bank also recognises the need for capacity building of SMEs to empower them to thrive, driving job creation and fostering economic development. Through our Enterprise Supply Chain Development (ESD) programme the Bank supports and empowers SMEs with the skills and insights necessary for sustained success in today's competitive business landscape. Over 2000 SMEs have been provided with trainings in 2023. The Bank partnered with strategic partners to deliver training on various topics including starting and growing your business, entrepreneurship, tax, financial literacy, how to run a family-owned business, ESG and business growth.

In support of women entrepreneurs, Absa conducted women in business workshops, a series of workshops developed to train women entrepreneurs, covering critical components of business development including understanding finance for business, managing people and governance as well as sustainability. A total of six workshops were conducted in 2023 with over 45 attendants per session.

In addition, the Bank supported micro businesses through the Build for Biz which is an entrepreneurship training programme for young women in business. Over 50 women entrepreneurs were enrolled in the program to equip them with entrepreneurship skills. Upon completion of the training, three winners were identified from the programme and were awarded seed funding to start their businesses.

...readying our youth for the job market

The Absa ReadytoWork programme supports the youth in preparing for and entering the job market. The programme provides access to learning content to equip them with the necessary knowledge and skills to improve their employability prospects as well as provide youth across Botswana with entrepreneurial skills. The training is provided digitally and has modules including work, people, entrepreneurial and money skills. It seeks to ease the transition from school to the world of work. Additional features on the platform include a career hub with online career guidance and a connection to job opportunities through the job portal, allowing direct access to recruiters.

	Trend	2021	2022	2023
Number of participants	▲	10 610	11 608	11 181

Contributing to our nation's transition to a knowledge based economy

...through higher education sponsorships

As part of the Bank's efforts to uplift the country's youth, the FG Mogae scholarship was established in 2008 with the goal of assisting young Batswana to pursue master's degrees in the field of Science, Technology, Engineering, and Mathematics (STEM) in accordance with the skills needs of the country. The FG Mogae Scholarship Fund has awarded scholarships to more than 80 students thus far. In 2023 two scholarship recipients from the 2022 cohort completed their studies at local universities, while the rest are yet to complete their studies in 2024. We also received applications for the next scholarship cycle, and we are currently in the process of shortlisting the candidates, with scholarships to be awarded in 2024.

...being a bridge in developing future-fit digital skills

In alignment with the Bank's goal of preparing the youth for the job market, the Bank partnered with the Botswana Accountancy College to sponsor 100 students and 12 lecturers to train for the Amazon Web Services (AWS) Cloud Foundation certification through the Absa-AWS Cloud Foundation programme. This training aims to equip the students and lecturers with the expertise needed to harness the full potential of cloud computing, driving innovation, efficiency, and competitiveness in the digital age, hence assisting the country in its digital transformation strategy, and empowering the youth with future skills.

Being a beacon of inclusion by promoting...

...fairness and equality

The Bank celebrates and recognises the richness that diversity brings to the workplace. It firmly believes that a diverse and inclusive environment fosters innovation, creativity, and resilience. This diversity and inclusivity agenda is supported by initiatives that support women such as investing in women leadership training. In 2023, the Bank trained women leader delegates through our bespoke leadership programmes delivered through the Absa Leadership Academy. The participants were equipped with knowledge and insights to develop their leadership skills, promote gender empowerment and career advancement, as well as technological innovation within the banking industry, aiming to support the growth and success of women in leadership.

A winning, talented and diverse team provides more information on diversity, equity, transformation and inclusion as it relates to how Absa contributes to reducing inequalities and promoting fairness.

An active force for good in everything we do continued

...pay parity

Fair and responsible remuneration is a strategic imperative within the Bank. Our approach to fairness in remuneration is therefore twofold: vertical, addressing disparities between various organisational levels, and horizontal, ensuring equity within the same level. In this regard, the Bank embarked on a bespoke role specific remuneration survey and crafted a three to five-year strategy to offer competitive remuneration to its employees.

...supply chain diversity

Absa is one of the principal buyers of goods and services in the Botswana financial services industry. We use our purchasing power to support our transformation agenda. Our suppliers include SMMEs, national, regional and multinational companies and state-owned entities. The total spent on suppliers is below.

	Trend	2021	2022	2023
Total procurement spend (million)	▲	388.7	407.8	501.0

Empowering a greener tomorrow by...

...working towards our own carbon neutrality

The Bank has embarked on a journey of unwavering commitment to environmental stewardship and action for climate change. The Bank is actively reducing environmental impact and reducing its carbon footprint through strategic initiatives such as use of energy saving techniques such as LED lights, motion sensing lights and air conditioning, monitoring of printing paper volumes with intent to reduce consumption, participation in Earth Hour to create awareness and encourage colleagues to participate at their homes, macerators technology through incineration of clinical waste on site as well as earth bins technology to safely store waste below ground level to avoid odors and unauthorised access.

Our commitment to environmental stewardship reflects our determination to lead by example in fostering a more sustainable environment. In 2023, our focus was on setting baseline that will enable us to monitor our impact against performance metrics. We also fostered stakeholder engagement to not only align with our ecological responsibilities but also shape a future where financial success and environmental stewardship go hand in hand.

To further embed our sustainability agenda, the Bank has conducted targeted educational programmes aimed at equipping our employees with the knowledge and tools necessary for integrating sustainable practices in their day to day lives. Through these training sessions, we seek to foster a culture of environmental stewardship and responsible waste management within our workforce. By promoting awareness and understanding, we believe we can collectively drive positive change, aligning our organisation with global sustainability goals and reinforcing our commitment to being a responsible corporate citizen.

...addressing climate change in the communities that we operate in

Recognising the escalating issue of climate change and its negative impact on the environment, the Bank ramped up its efforts to plant trees across Botswana to offset carbon emissions. In 2023, the Bank planted over 3 000 trees across Botswana in partnership with clients that have the same vision of reducing greenhouse gas (GHG) emissions. The Bank also focuses on planting fruit trees at medical centers, an initiative aimed at ensuring patients have easy access to fresh and nutritious fruits to help with their recovery and healing.

Botswana is one of the countries faced with water scarcity[1]. This has significant impact on the country's socio-economic development and agricultural productivity. This water scarcity slows industrial growth, increases the cost of water supply and management, and worsens the challenges of ensuring sustainable livelihoods for its population. In supporting the government in addressing the national crisis in water shortage in Botswana, the Bank partnered with the Botswana Academy of Science and the Botswana Institute for Technology, Research and Innovation (BITRI) in supporting the inaugural research excellence awards by sponsoring an award on sustainable water use. The award was presented in 2023, funding the researcher to provide insights which would assist Botswana in solutioning for this national challenge of water shortage.

We aspire to leverage Absa Group's leadership position in renewable energy to reduce the insufficient access to modern and renewable energy sources in Africa. Increasing demand for renewables not only creates commercial prospects but also opens employment opportunities. Renewable energy therefore remains the primary driver of our sustainable finance aspiration.

...contributing to Absa Group and Botswana reaching net zero by 2050

The Bank has started to develop a framework on how to contribute to the Absa Group net zero 2050 targets. In this regard, we have implemented a process to strategically evaluate our commercial lending activities, setting lending limit on sectors that have a high adverse impact on the environment such as coal, oil, gas, and mining. The credit assessment goes through an assessment for environmental and social risk associated with the transaction. The risk assessment is done in accordance with the Environmental and Social Management System (ESMS) standard which provides guidance for the identification and management of environmental and social risks and opportunities across identified processes and risk types in the bank. In pursuit of this goal, we have started compiling high-quality data for disclosures in the short to medium term.

Being a leader in sustainable finance by...

...spear heading sustainable bond listing on the local bourse

In 2023, Absa Bank Botswana Limited updated its P2billion Medium Note Programme to incorporate Green, Social and Sustainable Bonds. Leveraging off the successful listing of the Note Programme and in

[1] ICLD (2021) Accessed May 20, 2024
https://icld.se/en/publications/tshabatau-2021-women-and-water-scarcity-in-botswana-challenges-and-strategies-in-kweneng-district-the-case-study-of-gakuto-village/

An active force for good in everything we do continued

our effort to make a meaningful contribution to our nation's agenda of combatting climate change, in 2023, Absa was the first bank to publish a Sustainable Finance Issuance Framework (SFIF) that sets guidelines and provides a platform for originating and raising green, social and sustainable instruments. By so doing, the Bank was not only aligning itself with global sustainability goals but also actively contributed to the advancement of environmentally and socially responsible practices in the financial sector.

The SFIF received a second party opinion from Environmental Resource Management (ERM) consulting, an independent third party that provides validation of the framework's conformance to the International Capital Markets Association's (ICMA) Green Bond Principles (GBP), Social Bond Principles (SBP) and it's Sustainable Bond Guidelines (SBG). The framework incorporates our asset selection process, along with management and reporting obligations. These are further reinforced by external limited assurance requirements for every issuance related to the use of proceeds activities.

... creating access to sustainable financing

The Bank is dedicated to delivering financial products and services that contribute to positive ESG outcomes. To this end, the Bank is pleased to have been the first commercial bank in Botswana to issue a sustainable bond worth P47.4million, which was listed on the Botswana Stock Exchange in December 2023. The proceeds of the sustainable bond have been earmarked for green and social projects as outlined in the below allocation and impact reporting. Absa has through this, secured an affordable housing facility worth P86million where allocated proceeds were earmarked to fund the construction project. Additionally, we refinanced a renewable energy deal valued at P1.5million.

The subsequent tables outline details of the sustainable bond issued under the Bank's P2billion Note Program.

The Sustainable Bond

Sustainable Liabilities Instrument	Bond Code	ISIN	Issuance Date	Maturity Date	Amount	Asset Category	Number of projects	Amount/ Exposure
Sustainable, Senior Unsecured	ABBSF01	BW 000000 4977	8 December 2023	8 December 2025	47 400 000	Renewable Energy	1	1 544 358
						Affordable Housing	1	86 000 000+
Total Sustainable Bonds					**47 400 000 LA**	Eligible sustainability assets		**87 544 258**

As per the Bank's SFIF, the bank maintains a Sustainable Asset Register (SAR) that matches or exceeds the amount of issued instruments. This is to ensure that the liabilities raised have an asset that they can be allocated to at any given time.

Events after reporting period

On the 20th February 2024, Absa Bank executed on a successful tap issuance of P32 600 000 of the Sustainable Bond, bringing the total outstanding amount to P80 000 000.

The Allocation of Proceeds

The allocation report below displays the bond issuances under our SFIF and the allocation to green and social assets/projects. 94% of the issuance proceeds were allocated to a social asset with the rest used to refinance a renewable energy asset in line with our SFIF.

Total proceeds allocated to eligible assets (BWP)	22 494 032LA
Balance of unallocated proceeds (BWP)	24 905 968LA
Percentage of net proceeds of green and social funding allocated to eligible assets (%)	47
Percentage of refinancing (%)	3

Impact report

The table below details the environmental and social impact of the above investment.

Project Category	Capacity Installed (mw)[1]	Production in GWhs[2]	
Renewable Energy	270	740	
	Jobs Created	**Average Selling Price**	**Lives Impacted**
Affordable Housing	280	678 729	1 240

Legend

LA Refers to Limited Assurance Report
+ As of 31st December 2023, the client had drawn down P20 949 674
1 Megawatt is in reference to the capacity of solar panels that have been installed.
2 Gigwatt hours is in reference to the output hours that the capacity installed has generated.

An active force for good in everything we do continued

...focusing on our chosen sectors that impact the lives of Batswana

Botswana's agriculture sector faces challenges such as climate variability, limited infrastructure development for the farming land, water scarcity, and limited technology adoption and diffusion which impact the output. Drought and soil degradation are recurrent issues, impacting crop and livestock production. Smart agriculture, incorporating technology, efficient water management, and improved market access, is crucial for addressing these challenges. To support our government's efforts in this sector, the Bank has assisted clients to adopt adaptation solutions to build climate resilience, alleviate poverty and foster sustainable agricultural practices, addressing unique challenges faced by the country. We have financed agricultural projects ranging from the acquisition of equipment such as greenhouses, shade nets, drip irrigation, centre pivots and solar systems amongst others.

We also sponsored and participated in various agricultural shows and events, webinars sharing expertise knowledge of sustainable agriculture through our qualified inhouse sustainable agriculture specialist. On monthly basis we share agriculture production reports with our customers and other stakeholders on the trends, opportunities, challenges and suggest how they can respond. Water infrastructure development remains an area of focus by the Botswana government. This is due to the pressure exerted on the infrastructure systems by high demand of fresh clean water, which is caused by decreasing rainfall and high cost of sanitation. This threatens access to clean fresh water as evidenced by water access rate of 84.1% in rural areas[1]. The government has therefore set aside P5.43billion to develop water infrastructure in country[2]. In an effort to drive citizen economic empowerment, 40% of the budget is reserved for citizen owned companies. The Bank funded these companies to the tune of P149million as part of phase two of the north-south water project. This demonstrates our commitment to playing a role in ensuring that Batswana have access to clean water, a basic necessity for human life.

[1]*The Borgen Project, Accessed May 21st 2024 https://borgenproject.org/sanitation-in-botswana/*
[2]*Bank of Botswana - 2024/25 budget speech highlights*

Advocating for what matters most...

...promoting a just society

The Bank through its employee volunteering initiative has been commemorating various important calendar days such as the global money week, earth day, the day of the African child, and international literacy day. Through such commemorations, employees volunteered to conduct financial literacy trainings and mentorship sessions to various groups. The Bank provides grants and time off work for employees to deliver this impactful initiative. The total number of hours volunteered in 2023 was 7 318 hours against a target of 7 000 hours, demonstrating how the collective commitment and active engagement of the Bank's employees does not only amplify our impact in communities but also fosters a culture where employees contribute meaningfully to our sustainability objectives.

...through regulatory and public policy participation

The Bank's comprehensive strategy involves thought leadership, strategic stakeholder engagement, and adopting public stances on crucial societal issues.

Aligning to this strategy, the Bank identified and prioritised societal, policy, and regulatory themes that align with our strategy. This process involved mapping potential themes, rigorous research, and co-creating an advocacy strategy to implement, measure, and report on these themes. The themes identified include safeguarding water security, ensuring a just energy transition, climate disclosures, ethical AI use in finance, and payment modernisation with cybersecurity. The next steps involve prioritising these recommendations through a phased approach, starting with executive prioritisation, detailed scoping and investment, implementation planning, and ongoing monitoring, with the involvement of various stakeholders and committees within the Bank.

This strategic approach underscores our dedication to its role as an active participant in societal development, showcasing our commitment to impactful, responsible banking in Botswana.

Where to from here-focus areas for 2024

- Continue driving initiatives that positions us as the leader in sustainable finance
- Accelerating the integration of sustainability into the Bank's culture and decision-making, supported by enhanced bank-wide sustainability metrics and targets.
- Undertaking a comprehensive sustainability data programme to improve the availability and quality of data required for sustainability measurement and management.
- Providing innovative inclusive banking products while supporting financial inclusion in the agriculture sector, as well as small and medium enterprises with a focus on women and youth.

Take away from this story...

Recognising the vital role we can play in society, we have committed to actively supporting our clients on their sustainability journeys through sustainability-linked financing and promoting the financial inclusion of underserved groups with our products and services.

Value over time

Our Integrated Report communicates the short- medium and long-term value we have created, preserved, or eroded for our providers of financial capital and other key stakeholders. Our key performance indicators and management information measure how well we deliver against our strategic objectives. They also measure the value we are creating, preserving or eroding across the capitals material to our business model. We recognise the value creation for one type of capital may create, preserve or erode value across another.

	Unit	Five-year trend	Long term 2019	2020	Medium term 2021	2022	Short term 2023
Financial capital Primary interest group: Shareholders		**Net outcome: Positive**					**Strategic theme:**
Revenue	P'bn	▲	1.6	1.6	1.6	1.9	2.1
Fee and commission income	P'mn	▲	571.3	518.1	600.8	671.3	715.1
Cost-to-income ratio	%	▼	56.4	60.2	57.3[R]	53.1[R]	57.1
Expected credit losses	P'mn	▼	34.0	263.2	79.5	10.4	76.6
Gross loans and advances	P'bn	▲	13.9	14.6	15.6	17	17.2
Total deposits	P'bn	▲	14.4	15.9	16.4	17.0	18.7[R]
ROE	%	▼	23.4	12.7	18.4[R]	23.1	20.6
Capital adequacy ratio	%	◀▶	19.2	18.2	17.7	21.7	20.7
Liquid asset ratio	%	◀▶	18.9	15.8	15.1	15.0	18.0
Human capital Primary interest group: Employees		**Net outcome: Sustained**					**Strategic theme:**
Employee experience index	Points/100	◀▶	N/A	56.1	58.2	52.9	55.8
Women in senior leadership	%	▼	59	60	60	51	50
Employee headcount	Nr	▼	1 160	1 084	1 049	1 028	1 039
Turnover rate	%	▼	3.7	8.6	4.6	4.6	3.3
Employee training and development spend	P'mn	◀▶	7.5	2.9	7.0	7.7	7.0
Female-to-male ratio (gender equality)	%	◀▶	70:30	70:30	70:30	70:30	71:29
Absa Way Code of Ethics training completion	%	▲	N/A	100	96	100	100
Intellectual capital Primary interest group: Clients and employees		**Net outcome: Positive**					**Strategic theme:**
Digitally active customers	'000	▲	N/A	58.4	70.7	75.2	81.6
Total severity 1 and 2 incidents	Nr	▼	3	0	1	0	0

Legend: [R]Restated

Value over time continued

	Unit	Five-year trend	Long term 2019	2020	Medium term 2021	2022	Short term 2023
Manufactured Capital Primary interest group: Clients	**Net outcome: Sustained**					Strategic theme:	
ATMs	Nr	▲	113	113	114	114	117
Branches	Nr	◀▶	33	33	32	32	32
PoS devices	Nr	▲	N/A	4 147	4 761	4 810	5 888
Property and equipments	P'm	▼	198	252	246	209	189
Natural capital Primary interest group: Planet	**Net outcome: Positive**					Strategic theme:	
Trees planted	Nr	▲	N/A	N/A	723	2 342	3 110
Social and relationship capital Primary interest group: Society, regulators, clients, investors and suppliers	**Net outcome: Positive**					Strategic theme:	
Customer numbers (thousands)	Nr	▲	267	286	306	320	340
Retail Banking-Customer Experience index	%	▲	70	71	77	81	102
Business Banking-Customer Experience index	%	▲	44	65	63	54	88
Corporate Customer Experience index	%	▲	63	64	77	63	69
Customer education participants	Nr	▲	N/A	N/A	11 584	16 178	23 268
ReadytoWork participants	Nr	▲	N/A	N/A	10 610	11 608	11 181

Outlook

Long-term value creation requires future focus, responsive strategic planning, and consideration of available resources.

Short-term (<12 months) → Medium-term (3 years) → Long-term (3+ years)

Our next steps in 2024 are discussed by:

Our leaders:

- *Board Chairman's message*
- *Managing Director's message*
- *Interim Finance Director's message*

Business:

Each strategic pillar chapter under Delivering value...one story at a time, *Where to from here – focus areas for 2024*

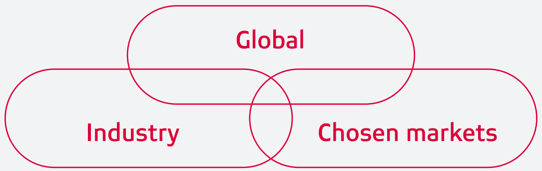
Those who govern us:

- Board objectives and performance – Governance objectives – *2024 focus areas*
- Board committees' reports – *2024 focus areas*

We need to ensure our stated aspiration and supporting strategic themes are grounded – considering the risk involved, the competitive landscape, the available opportunities and our ability to deliver on these opportunities. This includes considering the availability, affordability and quality of the capitals we will require to execute our strategy.

Our understanding is informed by potential risks and opportunities, taking into account:

1. Most severe global risks in the next decade
2. Medium-term outlook in the economic landscape
3. Medium-to long-term trends in our industry.



We unpack each of these elements in more detail on the following pages.

Most severe global risks in the next decade[1]

According to the World Economic Forum, the global risk landscape in the next decade can be materially affected by the four structural forces that have the potential to impact the speed, spread and scope of global risks and will be influenced in turn by each other:

- **Technological acceleration** – blurring the boundaries between technology and humanity. Three of the top ten global risks in the next decade are technological in nature
- **Climate change** – influenced by the decarbonisation pathways, speed of deployment of solutions and system degradation. Five of the top 10 global risks are environmental in nature
- **Geostrategic shifts** – evolving sources and concentration of geopolitical power
- **Demographic bifurcation** – demographic divide widening. By 2030, young Africans are expected to make up 42% of global youth.

Medium to long-term trends in the financial services industry

Competition[2]

The financial sector is undergoing a significant transformation, with central banks exploring digital currencies to remain competitive. However, they have concerns about decentralised finance and private cryptocurrencies. Banks are increasingly focusing on a mobile-led transformation to reach financially excluded populations and keep up with the competition. FinTechs, mobile service operators and entertainment players are partnering with banks to capture client-facing parts of the value chain without needing a banking licence. Big tech and unconventional players, such as retailers, may seek full banking licences. The financial sector's diversity has increased in developed and emerging markets, with fintechs and big tech companies offering an expanding range of financial services. Fast-moving market forces, such as competition from non-traditional players, will have implications for bank strategies.

Technology[2]

Cashless transactions are expected to rise by 78% from 2020 to 2025 and 64% from 2025 to 2030. Digital wallets are becoming the go-to for many due to their convenience, with new users favouring mobile wallets over traditional card payments. Cross-border payments are evolving to meet demands for speedy, cost-effective solutions. Digital supply chains are pivotal for digital wallet growth. Open banking is driving a shift towards initiating payments through digital wallets. Efforts are underway to standardise global payments, linking domestic instant payment systems.

Technology investment costs will be high but necessary to ensure optimal client experiences or risk falling behind peers and non-traditional banking players. According to Forbes, the AI market is predicted to reach USD407billion by 2027, impacting mostly the healthcare finance and manufacturing industries, but as AI becomes more pervasive in use, addressing the ethical concerns over its application will become a key focus area for businesses and society, and building user trust will become critical.

[1] World Economic Forum,Global Risk Perception Survey 2023-2024.
[2] PwC – Future of Payments 2025; Retail Banking in 2025; Wholesale Banking 2025 and Beyond; Major Bank's Analysis September 2023

Outlook continued

In response to the rise of decentralised finance, the wholesale banking industry must leverage its regulated status to manage risk. Digital asset firms bolstering their capabilities will be primed to meet rising expectations from regulators and clients, while traditional financial institutions, capitalising on regulatory clarity and their risk expertise, are anticipated to enter the digital asset market with an expansive product suite.

Persistent technological disruptions and the rise of new cryptologic asset classes will significantly influence bank strategy. Intense focus will be required on managing operations and enhancing client experiences in tandem with broader change programmes.

Sustainability

Access to affordable and convenient payment mechanisms and mobile devices is expected to drive financial inclusion in developing countries. As smartphone penetration rises in emerging markets, it is anticipated to reach 80% globally by 2025.

However, as consumers adopt new payment solutions, financial crime rises, and banks must protect full payment ecosystems. Clients are growing skeptical of global institutions as societal trust deteriorates, and some sentiments veer towards nationalistic protectionism, which might benefit local, smaller banks.

Amid the mounting sustainability agenda, banks aim to capitalise on the opportunity to support clients in financing their green initiatives and introducing novel benchmarks and measures. The increasing societal and corporate emphasis on inclusive finance, sustainability, climate change, and renewable energy is expected to create considerable opportunities for businesses and consumers to grow their balance sheets and develop innovative, sustainable financing solutions.

Furthermore, a growing number of investors are interested in sustainable finance and are searching for opportunities to invest their capital in businesses that uphold social and environmental standards. The number of sustainable mutual funds, exchange-traded funds (ETFs), and other investment products that concentrate on climate change issues is predicted to rise in response to the growing demand for sustainable financial solutions.

There has been a notable growth of ESG regulation and reporting requirements in Botswana in recent years, though still voluntary, it is projected to grow even further, reflecting a broader commitment to sustainable development. The government and financial institutions are increasingly adopting frameworks and policies to ensure responsible investment practices, aligning with global efforts to combat climate change. This shift is fostering a more transparent and accountable corporate environment, promoting long-term economic and social benefits.

Regulators[1]

Regulators are preparing to strengthen domestic payment infrastructure, while central banks remain concerned about decentralised finance and private cryptocurrencies.

Regulatory barriers to entry may be reconsidered due to concerns over data, privacy, cybercrime, or opportunities presented by new entrants such as cryptocurrencies. Trust in financial institutions is declining, but banks can potentially restore this trust as the central financial service provider.

There has been a noticeable increase in regulatory pressures, particularly in digital assets and sustainability, resulting in increased compliance costs. Risk management will be highly automated, including second- and third-order risks tied to reputational and societal concerns.

Sub-Saharan Africa is grappling with borrowing challenges due to shifts in global monetary policy. Despite persistent downside risks in the region, there are promising signs, with key economies adopting policy reforms to sustain long-term growth.

Botswana's medium-term outlook

Moderate growth expected

Heavy reliance on the diamond industry leaves the country vulnerable to economic shocks in Europe and the US, which remain the key drivers of diamond demand. We therefore expect moderate growth in the medium term as the diamond mining sector remains under pressure amid weaker global growth prospects. However, other non -diamond sub sectors such as coal and copper could support growth. The global move towards green energy and the auto industries is driving the high demand for copper. We therefore expect foreign investors interest in Botswana's significant copper reserves, and the revival of idle mines, to grow.

Furthermore, as part of the plan to decarbonise the mining sector, Botswana is seeking to industrialise its economy by transforming its coal reserves to value-added clean synthetic fuel. In the medium term, Botswana's coal mining sector has potential to expand at a solid pace, supported by the government's drive to reduce the country's reliance on electricity imports from South Africa.

The non-mining sector is likely to find support from modest inflation and the highly accommodative monetary policy stance in the medium term. However, fiscal constraints are increasing, while adverse weather conditions remain a fundamental threat to the agricultural sector in coming years. Against this background, we expect growth to average around 3.8% over the medium term.

[1] PwC – Future of Payments 2025; Retail Banking in 2025; Wholesale Banking 2025 and Beyond; Major Bank's Analysis September 2023

Outlook continued

Baseline scenario for Botswana's key macroeconomic variables

	2023	2024	2025	2026
Real GDP (% y/y)	2.7	3.5	3.8	4.0
Consumer Price Index (CPI)	5.1	3.0	4.4	4.2
Policy Rate – % end of period (eop)	2.4	2.4	2.4	2.4

Source: Statistics Botswana and Absa Research

Possible effects of these trends on our strategic ambitions...

We identify which strategic pillars are most at risk by assessing global risks, industry changes, and key market trends. The data also helps us understand how changes to various capital inputs may affect our strategy execution and market share growth ambition. We view the possible effects over the medium and long-term as follows:

Diversify revenue streams with deliberate transactional led growth

Capital most impacted

We will expand further into key growth sectors and diversify our portfolio, with a heightened focus on sectors that are aligned to the long-term outlook for the economy. Our diversification and growth plans require financial capital as impetus, while strained economic conditions, low growth and volatile global macroeconomic landscape lead to elevated risk and a need for potential capital preservation.

During our strategic planning process, we considered various scenarios in the global macro environment over the next three years, considering factors such as interest rates, monetary policy, GDP growth and inflation as well as additional weather, societal and political inputs, where appropriate. The focus is on how these scenarios could influence our ability to create market-leading growth. We are encouraged that despite the muted economic outlook, we are in a strong capital position to deliver our medium-term plan (2024-2026).

The primary partner for our clients

Capitals most impacted

Our clients' needs are continuously evolving, and they expect more from us as their primary partner. The market landscape is also becoming more competitive, with competitors ranging from traditional banks to non-financial services players all competing for client primacy and market share. We will win by leveraging our digital capabilities around our clients, investing in client experience and delivering superior client value propositions based on unique data-driven insights.

A digitally powered business

Capital most impacted

New breeds of competitors are taking advantage of technology to win clients with innovative and disruptive digital offerings, investing in emerging Artificial Intelligence (AI) technologies, data analytics, and robotics. With our increase in digital offerings, cybercrime and cyber insecurity remain risks, and we compete for quality intellectual capital to ensure that our technology architecture and/or data assets are not compromised. Achievement of our medium-term plan accounts for digital investment, as reflected on our 2024 change initiative budget.

A winning, talented and diverse team

Capital most impacted

Our business model relies on skilled human capital. A notable portion of unemployment, particularly among young individuals, is attributed to a gap between the skills possessed by job seekers and the evolving demands of the labour market. To overcome these difficulties, the Bank considers alternative human capital strategies and grow its own human capital. The cost of critical skills is incorporated in the medium-term plan.

Outlook continued

An active force for good in everything we do

Capital most impacted

Accelerating natural disasters and impacts of climate change globally are forcing action to combat global warming, and sustainability assets increased to USD2.5 trillion by 2022, a 17% rise from 2020. Sustainability investments and green financing are becoming a competitive advantage in the banking sector. Expanding our sustainability financing serves the dual purpose of simultaneously achieving our purpose to empower Africa's tomorrow, together and our ambition to grow market share, thereby reducing the gap with market leader. The bank will continue to innovate products to address climate change and set targets to contribute to Botswana's 2050 net-zero target.

... and medium-term to longer-term targets

Short-term (<12 months)	Medium-term (3 years)	Long-term (3+ years)
Our 2024 guidance can be found in the Interim Finance Director's message. • **CTI:** Improved • **RoE:** Improve to between 21% and 24%	• CTI: Low 50s • **RoE:** Greater than 25% on a sustainable basis from 2026	We are clear on our long-term ambition to increase market through our aspiration to: • Grow and diversify our revenue base • Improve our operational excellence and our CTI ratio • Increase our RoE and create enhanced shareholder value.

We recognise the challenging economic environment both locally and globally and remain vigilant in monitoring developments and emerging risks that could impact the Bank's performance in the medium to long-term. Our responses to these challenges are carefully evaluated against each strategic pillar, considering their effects on various capital inputs.

Value created and preserved

Protecting value through strong governance

Rewarding value creation

Protecting value through strong governance

Our Board as at 30 May 2024

Non-Executive Directors

58

Cosmas Moapare

Board Chairman

Member of the Human Resources, Remuneration and Nominations Committee

Cosmas has over 28 years of professional experience and joined the Bank's Board in March 2020. He was appointed as the Interim Board Chairman on 1 November 2023, post which he assumed the role of substantive Board Chairman on 23 May 2024. He is the previous Lead Independent Director and Chairman of the Board Audit Committee.

Cosmas is the founder and chief strategy officer of Cosburg (Pty) Ltd and has held various senior positions at Botswana Telecommunications Corporation, Botswana Telecommunications Authority (presently Botswana Communications Regulatory Authority), and the Local Enterprise Authority (LEA), where he was the Deputy Chief Executive Officer.

He has immense directorship experience with previous seats on the boards of Air Botswana, National Development Bank (NDB) and the Finance and Risk Subcommittee of the Botswana Institute of Development Policy Analysis (BIDPA), as well as the Botswana Institute of Chartered Accountants (BICA) Practice Review Committee. Cosmas also previously served as the Chairman of the LEA Pension Fund.

Cosmas is a Chartered Accountant by profession and a Fellow of the BICA. He holds a Bachelor Commerce degree from the University of Botswana and has completed various executive and professional courses.

63

Kgotlayarona Ramaphane

Lead Independent Non-Executive Director

Chairperson of the Human Resources, Remuneration and Nominations Committee

Member of the Risk Committee

Kgotlayarona has over 30 years of professional experience and joined the Bank's Board in August 2018. He was appointed as the Interim Lead Independent Director on 1 November 2023 and the substantive Lead Independent Director on 23 May 2024.

Kgotlayarona previously served as the Chief Executive Officer of the Public Enterprises Evaluation and Privatisation Agency (PEEPA). He also served as Head-Performance Monitoring of PEEPA, where his responsibility included advising the Government on performance and corporate governance issues in parastatals.

Before his appointment to PEEPA, Kgotlayarona served in several leadership positions in organisations such as Botswana Railways and Botswana Technology Centre. He has also served as a Board Member of Botswana Privatisation Assets Holding.

Kgotlayarona holds a Master of Business Administration (MBA) from the University of Stirling, United Kingdom; a Bachelor of Commerce from the University of Botswana, and a Certificate in High Performance Leadership from the University of Oxford. He is also a qualified PRINCE2 project management practitioner and a corporate governance practitioner.

53

Benjamin Monaheng Kodisang

Independent Non-Executive Director

Chairperson of the Audit Committee

Chairperson of the Credit Committee

Benjamin has over 25 years of professional experience in various sectors and joined the Bank's Board in March 2020. He was appointed Interim Board Audit Committee Chairman on 1 November 2023.

Benjamin is the founder and Chief Executive Officer of ALT Capital Partners, a Pan African impact investor focusing on social impact retail property.

His previous experience includes being the Chief Executive Officer of Sanlam Alternative Investments, Managing Director of STANLIB Asset Management and Africa, and Managing Director of Old Mutual Property. Benjamin also previously served as President and Director of the South African Property Owners Association (SAPOA); Chairman of Western Cape's Trade, Investments and Destination Marketing Agency (WESGRO). He was the first Chairman of the Johannesburg Securities Exchange (JSE)-listed SA Corporate Real Estate Fund.

Benjamin has worked in Botswana, South Africa, Namibia, Lesotho, Swaziland, Kenya, Tanzania, South Sudan, Ghana, Nigeria, India and Saudi Arabia.

He holds a Bachelor of Commerce Honours degree from the University of South Africa and is a Chartered Accountant by profession.

56

Sari Helena Nikka

Independent Non-Executive Director

Chairperson of the Risk Committee

Member of the Audit Committee

Sari has over 25 years of professional experience primarily in international finance, and joined the Bank's Board in March 2020. She previously served as the Chief Executive Officer of Norsad Finance Limited (Botswana, Zambia), which is an impact investor and regional private credit firm offering medium to long-term risk capital to mid-market growth companies across the Southern Africa (SADC) region. Sari has considerable experience in risk management and international best practices on environmental, social and governance (ESG) standards.

Prior to working for Norsad, Sari was the Programme Director (Finnpartnership) and Senior Investment Manager for Finnfund, the Finnish development financier and professional impact investor investing in responsible and profitable businesses in developing countries; as well as a Project Finance Advisor for Finnvera Plc (Finland), which is a specialised financing company that promotes Finnish exports to emerging markets and developing countries.
Sari has served on various boards and board committees of companies and investment funds investing in Africa, Asia, Latin America and Eastern Europe. She has a range of experience from project finance, senior debt instruments, mezzanine and equity investments; as well as financing solutions for microfinance institutions and commercial banks.

Sari holds a Masters of Science in Economics and Business Administration from Turku School of Economics and Business Administration in Finland.

53

Thabo Kagiso Matthews

Independent Non-Executive Director

Member of the Credit Committee

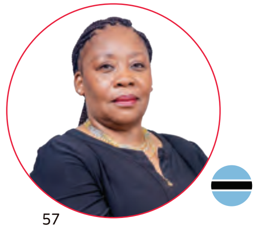
Member of the Audit Committee

Thabo has over 28 years of professional experience and joined the Bank's Board in March 2022. He has worked as the Managing Director of Sechaba Breweries Holdings Limited and in other senior positions for organisations such as Barclays Bank, Mascom Wireless, KPMG Consulting, Accenture and Deloitte Consulting.

For much of his career, Thabo has provided management consulting services to organisations in the public and private sector in Botswana and South Africa. After heading Deloitte Botswana's consulting offering, Thabo established his own consulting firm providing services to clients directly and through subcontractor services and recently expanded his entrepreneurial interests by venturing into the information technology and transportation spaces.

Thabo has served on various boards such as Botswana Life Retirement Annuity Fund, Bayport Financial Services, Standard Chartered Bank Education Trust, Sechaba Brewery Holdings Limited and Kgalagadi Breweries Limited. He is currently an independent non-executive director at G4S Botswana Limited.

Thabo holds a Bachelor of Arts (Honours) in Economics and Computer Science from Sussex University (United Kingdom).



57

Sethunya Makepe-Garebatho

Independent Non-Executive Director

Member of the Human Resources, Remuneration and Nominations Committee

Member of the Credit Committee

Sethunya has over 26 years of professional experience with a forte in labour law and employee relations, and joined the Bank's Board in September 2021.

Sethunya is the Managing Director and Principal Consultant of People Connections, which is a human resource and consultancy practice that she founded in 2002 and has worked for various organisations such as Debswana Diamond Company, Botswana Telecommunications Corporation and Global Resorts Botswana.

She previously served on the boards of Botswana Housing Corporation, Botswana Stock Exchange, Botswana Trade Commission and Women's Finance House. Sethunya has also served as an Independent Trustee of the Alexander Forbes Retirement Fund and in the University of Botswana's Human Resources Committee Council. She is currently a council member of Maru-A-Pula Secondary School.

Sethunya holds Master of Science in Project Management from the University of Bolton in the United Kingdom, a Bachelor of Laws (LLB) from the University of Botswana, an Executive Leadership Program with Oxford University and has completed an Executive Coaching Program, as well as a Compliance Management Programme with the University of Cape Town. She is a qualified Mediator and Arbitrator, having completed a Post Graduate Diploma in Alternative Dispute Resolution with the University of Pretoria, South Africa, in conjunction with the Arbitration Foundation of Southern Africa.

Protecting value through strong governance continued

Our Board as at 30 May 2024

Non-Executive Directors

52

Saviour Mwepu Chibiya

Non-Executive Director

Absa Group Limited Nominee

Member of the Risk Committee

Saviour has over 30 years of professional experience and joined the Bank's Board in April 2022 as the Absa Group Limited ("Absa Group") nominee.

Saviour is a seasoned banking executive with a career spanning across institutions such as Citibank, Barclays Bank, and Absa Group. Noteworthy roles within Absa Group include serv-ing as Chief Executive of Absa Regional Operations overseeing business operations in 11 African countries, Regional Managing Director responsible for six banks, and Corporate Bank Head for Africa (excluding South Africa). He previously held the position of Chief Executive Officer at Barclays Bank Zambia PLC, CEO at Citibank Zambia Limited, and Citibank Country Head in Ghana.

Saviour has served on various Boards and is a former Chairman of the Bankers Association of Zambia. He is a Fellow of the Zambia Institute of Banking and Financial Services and holds an Economics degree from the University of Zambia

Executive Director

45

***Keabetswe Pheko-Moshagane**

Executive (Managing) Director

Keabetswe has over 15 years of professional experience, particularly in the banking and telecommunications industry, and joined the Bank in October 2010.

She joined the Bank as the Head of Core Banking Applications, after which she held the position of the Head of Technology, overseeing bank projects, programmes, and initiatives to ensure the Bank operates in a stable environment. Preceding her appointment as the Bank's Managing Director, Keabetswe held the position of the Bank's Chief Operating Officer (COO).

Prior to joining the Bank, Keabetswe consulted for various companies and industries in South Africa. She has received various leadership awards, including the prestigious Definitive List of Women CEO's of Africa's top listed companies for a consecutive two-year period.

Keabetswe holds a Master's in Business Administration with the Management College of South Africa (Mancosa) and Bachelor of Administration in Information Technology specialising in IT Management and Business Applications from the Tshwane University of Technology.

Keabetswe has also completed a programme in Positive Leadership and Transformation with IE University, Spain and attended several leadership trainings such as the Absa Leadership Academy Program, steered in conjunction with IMD Business School in Switzerland.

***Keabetswe Pheko-Moshagane is also a member of the Country Management Committee.**

Board changes

Daniel Neo Moroka resigned from the Board on 31 October 2023

Cosmas Moapare appointed Interim Board Chairman on 1 November 2023 and Substantive Board Chairman on 23 May 2024

Kgotlayarona Ramaphane appointed Interim Lead Independent Director on 1 November 2023 and Substantive Lead Independent Director on 23 May 2024

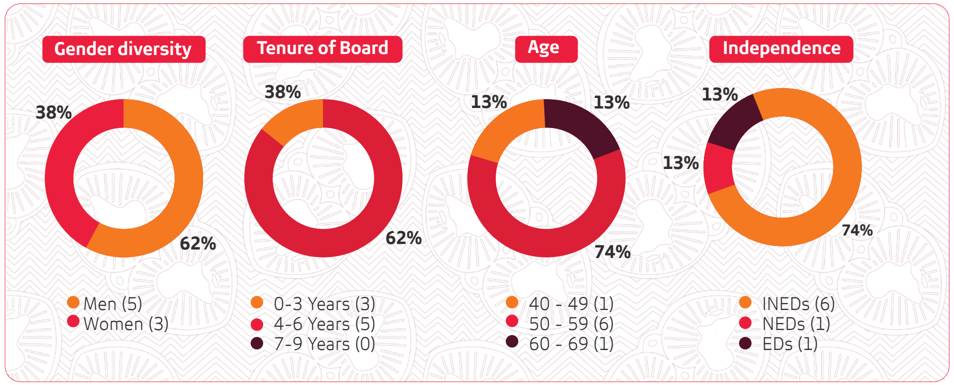
Cynthia Morapedi resigned as Executive (Finance) Director and member of the Board on 14 May 2024

No other composition changes occurred since the 37th Annual General Meeting

Thabo Matthews, Saviour Chibiya and Sari Nikka set to retire by rotation at the 38th AGM and the Board fully supports their re-election.

Composition outlook for 2024 is to recruit at least 3 additional non-executive directors as well as the replacement for the Finance (Executive) Director

Board composition and diversity



Protecting value through strong governance continued

Country Management Committee (CMC) as at 30 May 2024

47

Leroy Klein

Acting Finance Director

Leroy has over 18 years of professional experience and is currently the Acting Finance Director, having joined the Bank in May 2008.

Leroy has previously held various positions within the Bank, including middle and senior management roles within the treasury department, and was appointed the Country Treasurer in September 2017 and Chief Risk Officer in May 2020. He Previously worked for KPMG Botswana as a Senior Auditor.

Leroy is a Fellow of the Association of Certified Chartered Accountants (ACCA-UK) and is a member of the Botswana Institute of Chartered Accountants (BICA). He recently obtained an MBA from Oxford Brookes University - United Kingdom, and has completed the Executive Development Programme at the University of Stellenbosch Business School. He has also completed several leadership programs.

49

Valeta Mthimkhulu

Retail Banking Director

Valeta has over 20 years of professional experience, and is currently the Retail Banking Director, having joined the Bank in January 2020.

Valeta's extensive experience is mostly across retail and business banking, marketing and corporate affairs as well as project management. Prior to joining the Bank, she was the country head for retail banking at Standard Chartered Bank, Zimbabwe. She also previously worked for Barclays Bank Zimbabwe for 19 years and held various positions including the Consumer Banking Director and the Regional Head of Corporate Affairs overseeing Zimbabwe, Botswana and Zambia.

Valeta holds a Master of Philosophy in Development Finance from the University of Stellen-bosch Business School and a Bachelor of Commerce Degree in Banking from National University of Science and Technology, Zimbabwe. She has served on various Boards in Zimbabwe in the banking and not-for-profit sectors and has also completed the prestigious leadership program with IMD business school, Switzerland, as well as other leadership programs.

50

Keletso Setimela

Business Banking Director

Keletso has over 27 years of professional experience and is currently the Business Banking Director, having joined the Bank in July 2013.

Keletso has held various positions within the Bank including the Head of SME Banking with previous experience across telecommunications, entrepreneurship and enterprise development, development financial institutions, commercial banking and economic corruption investigation. He previously worked for organisations such as Stanbic Bank Botswana Limited, the Citizen Entrepreneurial Development Agency (CEDA) and the Local Enterprise Authority (LEA).

Keletso holds Master of Science-Strategic Management, University of Derby, Bachelor of Commerce (Accountancy), University of Botswana, Diploma in SMEs Development and Management, Galilee College, Israel. He has attended several leadership programs.

41

Tebogo Giddie

Corporate Banking Director

Tebogo has over 18 years of professional experience and is currently the Corporate Banking Director, having joined the Bank in June 2020.

Tebogo joined the Bank as the Head of Transactional Banking, previously working for Stanbic Bank Botswana Limited and Standard Chartered Bank Botswana Limited. Her experience spans across cash management and trade finance solutions on strategic and acquisition clients, public sector relationship management as well as experience in the human capital and hospitality industries in Botswana.

Tebogo holds a Master of Science, Strategic Management from the University of Derbyshire, United Kingdom, and a Bachelors of Arts, Human Resources Management from Durban University, Pietermaritzburg, South Africa. She has also completed several leadership programs.

38

James Nthoyi

Head of Markets

James has over 12 years of professional experience, and is currently the Head of Markets, having joined the Bank in January 2014.

James has held various positions within the Bank, including the Head of Trading, and a short-term assignment to Absa Capital, South Africa, where he spent time trading interest rates and currencies across the various African jurisdictions in the Absa Group. He previously worked at First National Bank Botswana where he was a fixed-income and currency trader.

James holds a Bachelor of Commerce degree from the University of Cape Town, South Africa and recently completed an Executive Master of Business Administration from the IMD Business School, Switzerland.

51

Segomotso Banda

People Function Director

Segomotso has over 20 years of professional experience and is currently the People Function Director, having joined the Bank in April 2022.

Segomotso previously worked for Cresta Hotels with local and regional responsibilities, with exposure to the labour environments in Botswana, Zambia, Zimbabwe, Malawi and South Africa. She has over 15 years of experience as an Industrial Court Assessor at the Industrial Court of Botswana, on behalf of Business Botswana Association.

Segomotso holds Master of Science in Human Resource Management, University of Manchester and Bachelor of Commerce-Management with University of Botswana. She has also completed several leadership programs.

Protecting value through strong governance continued

Country Management Committee (CMC) as at 30 May 2024

48

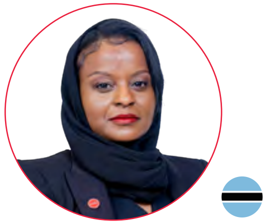
Krishnan Menon Balachandran
Chief Operations Officer

Krishnan has over 24 years of professional experience and is currently the Chief Operations Officer, having joined the Bank in January 2020.

Krishnan previously worked for Barclays PLC Group for over a decade, having managed corpo-rate operations for the UK and subsequently being the Chief Administrative Officer of Barclays Shared Service Centres in India. His vast experience includes exposure in retail and corporate banking across multiple geographies including the United Kingdom (UK), Middle East, Asia, and Africa.

He moved to Africa in 2012 to lead the operational transformation initiative for the region, which oversaw the utilisation of viable digital alternatives to traditional operations.

Krishnan holds a Bachelor of Science in Mathematics from Calicut University, India. He has also completed several leadership programs.



36

Salma Baduel
Country Treasurer

Salma has over 13 years of professional experience and is currently the Country Treasurer, having joined the Bank in February 2014.

Salma has held various positions within the Bank, including the Head of Balance Sheet Management and a short-term assignment in Absa Group where her duties included overseeing the liquidity, interest rate risk and capital management processes in all the Absa Africa Entities.

Salma started her career in treasury at First Capital Bank as a Money Market Trader and holds a Bachelor of Science in Mathematics from the University of Botswana and an Executive Masters' Degree in Positive Leadership and Transformation from University, Spain.

46

Maungo Mokotedi
Chief Credit Officer

Maungo has over 20 years of professional experience and is currently the Chief Credit Officer, having joined the Bank in July 2018.

Maungo previously held various positions within the Bank including Acting Chief Risk Officer and Head of Corporate Credit. Prior to joining the Bank, Maungo supported strategic priorities, business growth and led diverse teams at middle and senior management level across organisations such as BancABC (now Access Bank Botswana), Standard Chartered Bank Botswana Limited and Letshego Financial Services Botswana.

Maungo holds a Master of Science in Strategic Management from University of Derby (UK) and a Bachelor of Accounting from the University of Botswana.

46

Puseletso Nyamambi
Compliance Director

Puseletso has over 20 years professional experience and is currently the Compliance Director, having joined the Bank in November 2008.

Puseletso has held various positions within the Bank, including the Head of Financial Crime and Fraud Operations, and previously worked for Stanbic Bank Botswana Limited as well as the Directorate on Corruption and Economic Crime. Her experience spans across fraud management and financial crime.

Puseletso has been certified as a Compliance Professional through Association of Certified Compliance Professionals in Africa (ACCPA).

She holds a Bachelor of Arts(Criminology and Psychology Major) from Melbourne University, Australia. She also holds Post Graduate Certificates in Enterprise Risk Management and Finance for Non-Financial Managers, both of which were acquired through the Botswana Accountancy College and has completed several leadership programmes such as the Global Management Foundation Program conducted in conjunction with IMD Business School for Management and Leadership in Switzerland.

46

Dennis Mambure
Head of Marketing and Corporate Affairs

Dennis has over 23 years of professional experience and is currently the Head of Marketing and Corporate Affairs, having joined the Bank in May 2022.

Dennis previously held senior roles in Barclays Bank of Zimbabwe and FMB capital Holdings plc. His vast experience spans across marketing, corporate relations, sales and product management within the banking, telecommunications, agriculture and manufacturing sectors.

Dennis is a Council member of the Women's University in Africa, a Fellow of the Chartered In-stitute of Marketing (UK). He holds an MSc in Marketing, Master of Public Policy and Governance (Africa University) as well as a Bachelor of Commerce, Honours in Marketing, National University of Science and Technology, Zimbabwe.

46

Barati Rwelengera
Chief of Staff, Strategy and Sustainability Officer (CMC Secretariat)

Barati has over 20 years of professional experience and is currently the Chief of Staff, Strategy and Sustainability Officer, having joined the Bank in June 2016. She joined the Bank as the Chief Internal Auditor and has extensive experience in audit, governance, risk management and controls and strategy in the financial services industry.

Barati previously worked at Letshego Holding Limited, where she left as the Group Head of Internal Audit. She also worked for Pricewaterhouse Coopers (PWC), where she provided audit and other assurance services to various clients across all industries in Botswana, as well as being involved in international assignments in the United States of America.

Barati is a fellow member of the Association of Chartered and Certified Accountants (ACCA) and holds a Post Graduate Diploma in Business Administration from the University of Cape Town's Graduate School of Business. She is a PRINCE II practitioner and completed the Yale School of Management Executive Program on corporate sustainability management, risk, profit and purpose.

Protecting value through strong governance continued

Country Management Committee (CMC) as at 30 May 2024

36

Loungo Kedikilwe
Acting Chief Risk Officer

Loungo has over 11 years of professional experience and is currently the Acting Chief Risk Officer, having joined the Bank as the Market and Treasury Risk Manager in August 2023. She was subsequently appointed as the Head of Enterprise Risk in December 2023.

Prior to joining the Bank, she was with Vunani Fund Managers for over eight years, and held various middle and senior management roles, including the Head of Operations. She has also worked for organisations such as Stanlib Investment Management Services.

She holds a Bachelor of Arts in Finance from University of Hertfordshire, UK, certificates of proficiency in short term insurance and enterprise risk management from Botswana Accountancy College, Botswana. She also holds an Advanced Project Management certificate from the University of Cape Town, South Africa and has completed courses in ESG fundamentals.

47

Kealeboga N. Bojosi
Head of Legal

Kealeboga Bojosi has over 20 years of professional experience and is currently the Head of Legal, having joined the Bank in October 2012.

Kealeboga has read, taught and practiced law in Botswana and England, specialising in banking, finance, general commercial law and corporate governance.

Amongst other qualifications, Kealeboga holds an LLM from the University of Cambridge and a Doctor of Philosophy from Oxford University and is a Solicitor of the Supreme Court of England and Wales.

He has also completed several executive management courses, including the Oxford Leadership Program through the Said Business School, Oxford University.

Attending CMC by invitation

43

Idah Nkoloi
Chief Internal Auditor

Idah has over 18 years of professional experience and is currently the Chief Internal Auditor, having joined the Bank in September 2018. As Chief Internal Auditor, she functionally reports to the Board Audit Committee through the Board Audit Committee Chairperson and administratively reports to the Managing director, attending CMC meetings by invitation.

Idah oversees the effectiveness of governance, risk management and control over current and evolving risks in the context of the current and expected business environment and previously worked at Deloitte & Touché Botswana Audit and Assurance division.

Idah is a fellow member of the Association of Chartered and Certified Accountants (ACCA), and a fellow member of the Institute of Chartered Accountants (BICA). She is also a Certified Internal Auditor with the Institute of Internal Auditors (IIA).

Attending CMC by invitation

40

Yonta Leburu
Company Secretary

Yonta has over 13 years of professional experience and is currently the Bank's Company Secretary, having joined the Bank in July 2014. As Company Secretary, she functionally reports to the Board through the Board Chairman and administratively reports to the Managing director, attending CMC meetings by invitation.

Yonta has held various positions within the Bank, including the Corporate and Investment Banking Compliance Manager, Country Project Manager and Deputy Chief of Staff in the Managing Director's office. She previously worked at Stanbic Bank Botswana where she was a Compliance Risk Manager and Money Laundering Reporting Officer.

Yonta is an admitted attorney in the High Court and Other Courts of the Republic of Botswana and has been certified as a Compliance Professional through the Association of Certified Compliance Professionals in Africa (ACCPA).
She holds a Master of Laws (LLM) in Global Corporate Compliance from IE University, Spain; a Post Graduate Compliance Risk Diploma from the University of Johannesburg, South Africa; a Bachelor of Laws (LLB) and a Bachelor of Social Science (Politics, Public Administration and Policy Majors) from the University of Cape Town, South Africa.
Yonta has also completed a US Corporate Law and Governance program with New York University and has undertaken several leadership courses, including the Compliance Career Academy Program, facilitated by Judge Business School, Cambridge and the Young African Leaders Initiative Regional Leadership Centre Program (USAID grantee).

CMC changes

Tebogo Giddie appointed Corporate Banking Director in April 2023

Puseletso Nyamambi appointed Acting Head of Compliance in March 2023 and Substantive Compliance Director in May 2024

Sustainability portfolio added to the Chief of Staff and Strategy role in August 2023

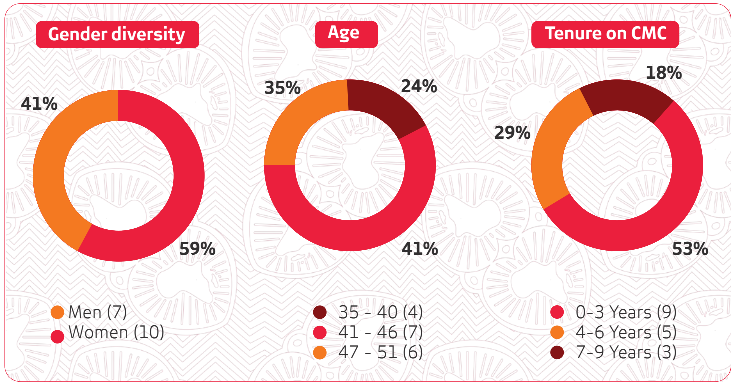
Head of Markets, Business Banking Director and Chief of Staff, Strategy and Sustainability Officer roles designated substantive CMC roles in November 2023

Finance Director, **Cynthia Morapedi** resigned from the Bank with effect from 14 May 2024

Leroy Klein appointed Acting Finance Director with effect from 14 May 2024

Loungo Kedikilwe appointed Acting Chief Risk Officer with effect from 14 May 2024

The Board is fully engaged in the appointment process of senior management, considering the ongoing ethical standard of the fit and proper enquiry, prior to relevant regulatory approvals.



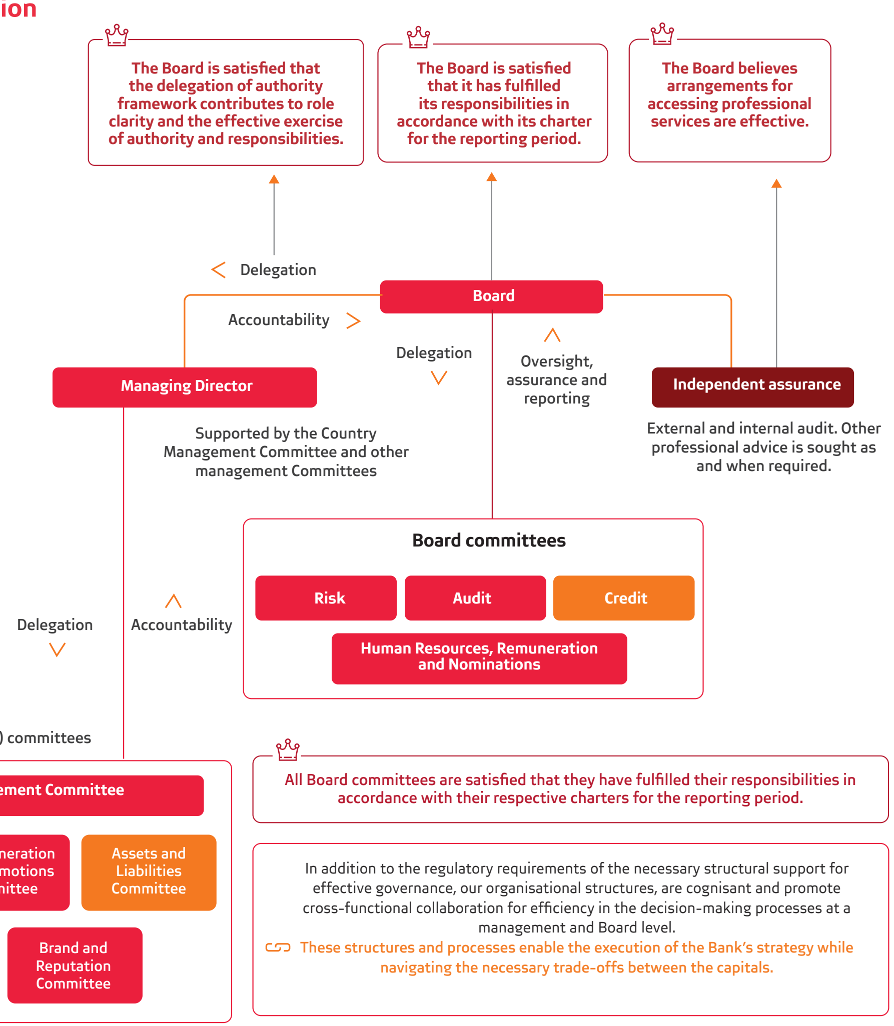
*Includes CMC by invitation

Protecting value through strong governance continued

Structure and delegation

Composition

Sound corporate governance practices are vital for creating and sustaining shareholder value and ensuring that behaviour is legal, ethical and transparent – thereby reducing the risk of value erosion. The Bank remains committed to promoting and preserving value through upholding business integrity, with the requisite oversight from the Bank's Board of Directors ("the Board").



An important element of effective corporate governance is the structural composition as well as the delegation of authority framework, which encompasses not only the composition of the governing entity, but the process therein that confers certain powers to other structures or persons within the permissible ambit.

The Board consists of eight (8) directors, chaired by an independent non-executive chairman, deputised by a lead independent non-executive director. The Board may and has, where appropriate, delegated some of its powers to various committees of the Board, constituted in the manner most appropriate to those tasks. The terms of reference of each of the Board Committees set out the specific membership requirements for these Board committees, which currently encompass the Board Audit Committee, the Board Risk Committee, the Board Credit Committee and the Board Human Resources Remuneration and Nominations Committee.

Details on the membership and decisions of these committees are on page 103 to 106 of this report. The Board has delegated the general management of the Bank to the Managing Director, who is supported by the Country Management Committee and other executive committees, with the key committees specified on pages 93 to 96 of this report.

The Bank's organisational structures thereof, particularly at Board and management level, are cognisant and promote cross-functional collaboration for efficiency in the decision-making that enables the execution of the Bank's strategy while navigating the necessary trade-offs between the capitals.

The Board is ultimately responsible for protecting shareholders' interests, establishing management policies, and acting as a fiduciary for shareholders, bearing in mind and balancing other stakeholder needs.

The composition and structure of the Board should, and does enable the execution of this oversight and balancing mandate. The size and composition of the Board is prescribed by provisions of the Banking Act and the Corporate Governance guidelines for banks and financial institutions licenses and supervised by the Bank of Botswana ("the Guidelines"), the Botswana Stock Exchange ("BSE") Listings Requirements, and other applicable regulations, internal frameworks and policies.

The Bank's constitution and the Board Charter, specify that the minimum number of Directors shall be five (5) and the maximum number shall be twelve (12), and provides other guidelines to ensure that the Board comprises of individuals of the right skills and expertise bearing in mind the size and business of the Bank. As of the date of the publication of this report, the Board comprised of eight (8) directors with a diverse background in terms of qualifications, age, race, gender, ethnicity, culture, skills, experience and knowledge.

This provides a fertile environment for discussion, debate, input, challenge and thoughtful outcomes.

During this reporting period, the Board was satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

Structure and delegation

Independence and tenure

The Board is composed of Independent Non-Executive Directors ("INEDs"), Non-Executive Directors ("NEDs") and Executive Directors ("EDs") and is compliant with the stipulation of the Guidelines that provides that at least two thirds of the Board should be independent.

This remains a top-of-mind issue, not only to comply with the requirements, but to proactively promote and maintain an independent board that reflects balance of power in order to ensure that no individual, or group of individuals yield unfettered power on the Board. This preserves value by ensuring that the Board is able to keep the needs of all the stakeholders and balance the best interests of the Bank at the forefront in all decision-making.

The Board undertakes an annual exercise that considers a number of governance best practice recommendations, to determine the independence of the Board, in terms of form, and are satisfied that at least two thirds of the Board is comprised of INEDs. Additionally, the Board is satisfied that in deliberations and decision-making, the Board members set aside their personal interests and act with objectivity. In the instance that the Board identified actual or perceived conflicts of interests, the Board is satisfied with the controls and procedures currently in place to manage this. From a tenure perspective, 38% or directors have served on the Board for 0-3years, while 62% have served for 4-6years.

Board changes

At the Bank's 38th Annual General Meeting ("AGM"), which is scheduled for 27 June 2024 there will be no new directors proposed for appointment. Changes expected will thus be in terms of directors eligible for rotation and re-election, which are Saviour Chibiya, Sari Nikka and Thabo Matthews. Detailed information on the AGM and the director profiles are available on page 197 of this report.

Since the last AGM, the previous Finance Director Ms Cynthia Morapedi resigned from the Bank and the Board as an ED with effect from 14 May 2024, and the Board is currently in the process of appointing a substantive Finance Director.

Furthermore, the previous Board Chairman resigned on 31 October 2023, which necessitated some composition changes on the Board and Board Committees. To this effect, the Board appointed Cosmas Moapare as the Interim Board Chairman with effect from 1 November 2023 and his appointment as the substantive chairman was confirmed on 23 May 2024. Kgotlayarona Ramaphane was appointed the interim lead independent director on 1 November 2023 and substantive lead independent director on 23 May 2024. Given regulatory and corporate governance best practice, the Board found it suitable to reconstitute the board committee compositions in the interim while undertaking a non-executive director recruitment exercise to increase members on the Board. Once this exercise is complete and regulatory approvals are obtained for the new non-executive directors, the Board will once again assess the appropriateness of its committee structures, with particular emphasis on ensuring that the members of the Board Audit Committee do not serve as members on any other board committee, as well as establishing a Board Conduct and Compliance Committee. With effect from 1 November 2023, the Board committees were constituted as follows:

Name of Committee/ Position	Interim Chairman	Interim Members
Audit Committee	Benjamin Kodisang	Sari Nikka Thabo Matthews
Credit Committee	Benjamin Kodisang	Thabo Matthews Sethunya Makepe-Garebatho
Risk Committee	Sari Nikka	Kgotlayarona Ramaphane Saviour Chibiya
Human Resources Remuneration and Nominations Committee	Kgotlayarona Ramaphane	Sethunya Makepe-Garebatho Cosmas Moapare

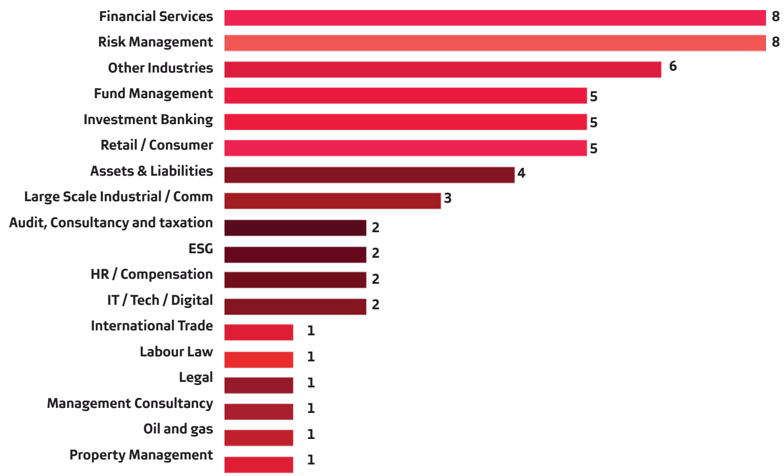
In line with King IV™, which encourages a holistic and integrated approach when the Board is establishing committees, the Board assessed the requirements and mandate of each Committee and the available skill-set in order to ensure that the Board Committee compositions promote effective collaboration through the right cross-membership, ensuring complementary work is produced in instances of overlapping of jurisdiction and also ensuring a balanced distribution of power of membership within the committees. Skill set and integration will remain a key consideration as the committees are again constituted post the conclusion of the recruitment exercise.

Board skills and training

The members of the Board are individuals from a diverse range of industrial and professional skills, knowledge and experience, and are not involved in the day-to-day management of the Bank. The Bank maintains a Board skills matrix, designed to continually review and assess skills, expertise, and knowledge requirements, ensure that all skills needed to effectively discharge its mandate are present. The skills matrix is tabled for review and approval by the Board, at least annually. In addition, the Board annually reviews and updates the Board Skills Matrix to ensure any identified skills gaps are taken into consideration in the Board recruitment process as and when necessary. Furthermore, the Board continuously assesses the areas for development and training required by the Board, with such training provided on an annual basis to further enhance the skills and knowledge of the Board as a whole. For the ongoing recruitment project, the Board prioritised the following areas as skills deemed to enhance to the Board. This will be viewed from a combination of skills perspective, cognisant of an intentionality in achieving gender balance: mining; fintech/digitisation/cyber security; chartered accountants; compliance; economist; and other financial services related experience.

Over the reporting period, the Board was trained on several topics, including Corporate Governance and Environmental, Social, Governance and the Absa sustainability strategy, Financial Intelligence Act and implications/responsibilities for Board members as well as "Why banks fail" – lessons from SVB and Credit Suisse.

Board skills



Protecting value through strong governance continued

Structure and delegation

Board meetings

The Board and each Board Committee has a minimum of four (4) scheduled meetings per year and all Directors are expected to attend all meetings. In practice, the Board meets more frequently than four (4) times per year, responding to the demands of the business.

The Board, through the Company Secretary, prepares a Board and Board Committees calendar as well as forward-planners to ensure that all relevant matters for the Board and the Board Committees' consideration are prioritised. Board meeting attendance is essential in the Board's ability to discharge its duties and responsibilities, and care is taken in preparing the Board calendar to enable attendance. We expect, and receive, significant commitment from our Board members and this includes attendance at ad hoc meetings that sometimes only require the attendance of NEDs.

Director	Board	Audit Committee	Risk Committee	Human Resources, Remuneration and Nominations Committee	Credit Committee
Cosmas Moapare	14/14	4/4	N/A	1/1	3/3
Kgotlayarona Ramaphane	14/14	N/A	5/5	5/5	N/A
Sari Helena Nikka	14/14	1/1	5/5	3/4	N/A
Benjamin Monaheng Kodisang	12/14	5/5	N/A	N/A	4/4
Sethunya Makepe - Garebatho	11/14	N/A	4/4	5/5	1/1
Thabo Kagiso Matthews	14/14	4/5	N/A	N/A	4/4
Saviour Mwepu Chibiya	9/14	N/A	1/1	N/A	N/A
Keabetswe Pheko – Moshagane	14/14	4/5	4/5	5/5	4/4
Cynthia Morapedi**	13/14	5/5	4/5	5/5	4/4
Daniel Neo Moroka**	8/10	N/A	N/A	N/A	N/A

* Cynthia Morapedi resigned from the Board on 14 May 2024.
**Daniel Neo Moroka resigned from the Board on 31 October 2023.

Members of senior management of the Bank and assurance providers may attend meetings by invitation in line with the charter and the TORs of each Board Committee. However, they do not form part of the quorum of any meeting. In 2023, the Board and its Committees held a total of 33 meetings. A quorum for Board meetings consists of a majority of the members, with a minimum of 3 non-executive directors, and may be reached provided the members are in attendance, either in person or by teleconference. The Guidelines stipulate that each director is to attend at least 75% of the board meetings per annum and majority complied with this provision over this year, with an average attendance of 93% for the year.

Management committees are crucial in ensuring regulatory compliance, support of the execution of the Managing Director's mandate in line with the Board's delegated authority framework, as well as the overall governance of the Bank. Key management committees are as follows:

Management committees

Country Management Committee (CMC)	
Mandate	**20 meetings approximately 95% attendance**
This is the overarching executive committee with the purpose, amongst others, to ensure: • that there is efficient implementation of business plans and also that the performance of the business is maximised across all lines and functions of the business. • that business conducted is compliant with required local and international legislation and regulations • that the effective implementation of the Absa Group and Bank's policies and governance arrangements across all lines and functions of the business • that the integrity of the operational, control, compliance, and governance framework of the Bank as a part of the Group Key matters and material decisions over the reporting period included: • strategic initiatives to enable seamless execution of our strategy prioritising those that ensure compliance with regulatory requirements, technology stability and resilience, as well as transformation and disruptive innovation. • employee programmes and plans to enhance our employee value propositions and drive culture transformation. • formation of the management credit committee and its terms of reference	**Attendees** • Managing Director (Chairperson) • Finance Director • Treasurer • Chief Risk Officer • Retail Banking Director • Chief Operating Officer • Corporate Banking Director • Head of Compliance • Head of Marketing and Corporate Affairs • People Function Director • Head of Legal • Chief of Staff, Strategy and Sustainability Officer (Secretary) • Business Banking Director • Head of Markets **By Invite** • Chief Internal Auditor • Company Secretary

Protecting value through strong governance continued

Structure and delegation

Management committees

Assets and Liability Committee (ALCO)	
Mandate	**9 meetings; 100% attendance**
The objectives of the Country ALCO are, amongst others: • to manage the funding and investment of the Bank's balance sheet, to manage the liquidity and the cashflow of the institution • manage the liquidity and cash flow of the Bank, managing the exposure of the institution to interest rate, exchange rate, commodity and equity market movements • to manage the capital position and dividend flow, to manage asset and liability margins and internal transfer pricing arrangements • to manage compliance with all internal and regulatory limits and ratios for the above activities • to also manage ALM strategic agenda, manage and govern the Sustainable Finance Framework to ensure consistency and oversight. The committee is responsible for the selection of eligible assets from the approved Sustainable Asset Registers that will be financed/re-financed as well as determine the classification allocation of green, social or sustainable. They also manage the approvals of any amendments on use of proceeds and manage approvals of any amendments on use of proceeds. Key matters and material decisions over the reporting period included: • in guidance and compliance to the Bank's Dividend and Repatriation Policy, ALCO approved and recommended 2022 to full year and 2023 interim dividend to the Board Audit Committee • as part of being the sustainable financing partner of choice strategy, ALCO deliberated and approved the issuance of an inaugural sustainable bond in December 2023 • the committee challenged and provided sign-off on the ICAAP document, which is a risk-based assessment of the capital adequacy position of the Bank at a point in time, as well as a forward-looking view and stressed basis over the medium-term with recommendation of final document to the Board Audit Committee.	Attendees • Managing Director (Chairperson) • Corporate Banking Director • Retail Banking Director • Treasurer (alternate chair) • Finance Director • Head of Balance Sheet Management (Secretary) • Chief Risk Officer • Head of Business Banking • Chief Credit Officer By Invite • Head of Markets • Market and Treasury Risk Management • Economist

Executive Risk Committee (ERC)	
Mandate	**4 meetings; 65% attendance**
The purpose of the ERC, amongst others, is: • to provide overall oversight regarding the management of the Bank's risk profile, thereby ensuring that it is managed within the risk appetite. It fulfils this purpose on behalf of CMC and the Absa Regional Operations (ARO) ERC. • ERC more specifically, fulfils its purpose through reviewing the franchise-wide risk profile of the Bank, at an aggregate Bank level, or risk type level (as appropriate), to satisfy itself as to the positioning of the Bank's risk profile in relation to the short-term plan, strategy, and Board-approved risk appetite • reviews and recommends to the relevant governance committees, the Bank's proposed risk appetite, stress test scenarios and results • Conducting review and challenge of risk practices and the control environment as required by the Enterprise Risk Management Framework (ERMF), for all principal risks with the exception of capital and liquidity risk, which although are discussed at ERC, are managed through a different governance structure. **Key matters and material decisions over the reporting period included:** • approval of the Enterprise Risk Management Framework as refreshed in 2023 for recommendation to the Board Risk Committee • approval of the 2024 combined assurance plan • approval of the Risk Appetite Framework, Enterprise Stress Testing Framework annual refreshers for recommendation to the Board Risk Committee • approval of the first Strategic, Sustainability and Reputational Risk Framework for recommendation to the Board Risk Committee	Attendees • Chief Risk Officer (Chairperson) • Managing Director • Finance Director • Chief Operating Officer • Head of Technology • Head of Compliance • Head of Marketing and Corporate Affairs • Retail Director • Head of Business Banking • Corporate Banking Director • People Function Director • Treasurer • Head of Legal **Permanent Invites or Attendees** • Chief Internal Auditor • Head of Operational Risk • Head of Governance and Control • Head of Wholesale Credit • Head of Retail Credit • Head of Market Risk • Chief of Staff, Strategy and Sustainability Officer • Head of Fraud

Protecting value through strong governance continued

Structure and delegation

Management committees

Remunerations and Promotions Committee (RPC)

Mandate	13 meetings; 75% attendance
The purpose of the RPC, amongst others, is: • monitor compliance with legal and regulatory requirement as they apply to appointments and rewards • to approve salary increases, bonuses, long-term incentives and awards, all subject to Group approval • to approve bonus funding requests in line with Board Human Resources, Remuneration and Nomination Committee decisions • review of Committee Performance. • review of out of cycle statistics **Key matters and material decisions over the reporting period included:** • recommendation of restructuring exercise to CMC • review and implementation of talent retention reward strategies for key talent	**Attendees** • Managing Director (Chairperson) • Finance Director • Chief Risk Officer • People Function Director

Brand and Reputation Committee (BRC)

Mandate	1 meeting; 100% attendance
The purpose of the BRC, amongst others, is: • to consider approval/declines of all Introducer relationships except for those that require Group Introducer Committee approval • to ensure that the approvals are aligned to the Group Introducer Policy and Standard, ensure that there is a multi-stakeholder approach for the approvals, and that business, legal, regulatory and financial crime risks are assessed at the same time by relevant stakeholders • to protect and enhance the brand and reputation of the Bank, supporting the Bank in being a leading company in the field of Citizenship • ensures that the Bank treats customers fairly in accordance with its "Treating Customers Fairly" principles. • confirm and monitor the implementation of the external corporate affairs plan and the community and environmental strategy and monitor the implementation of and report all issues related to Brand and Reputation **Key matters and material decisions over the reporting period included:** • conversion of Reputation Risk Framework to the new framework being Strategic, Sustainability and Reputational risk framework • assessments and rating of the business overall reputation risk • assessment and approval of potential reputational Risk for existing customers. • exit of relationship with customers for reputational risk purposes including a prominent influential person • monitoring of marketing and advertising opt in and opt out as per the data protection act. • donation assessments and considerations • assessment of transactions with potential reputation risk	**Attendees** • Managing Director (Chairperson) • Finance Director • Chief Operations Officer • Head of Legal • Corporate Banking Director • Head of Marketing and Corporate Affairs • Retail Director • Chief Risk Officer • Head of Compliance • Retail Director • Treasurer • Money Laundering Reporting Officer

Protecting value through strong governance continued

Structure and delegation

Management committees

Management Credit Committee (MCM)	
Mandate	**1 meeting; 100% attendance**

The MCM is a newly established committee, with its terms of reference approved by CMC and the Board Credit Committee. It serves as the senior management credit decision-making function with a defined delegated authority as determined by the Board. The purpose of the MCM, amongst others, is:
• ensuring application of all applicable credit policies across the credit function including, but not limited to:
  • Sanctioning
  • Modelling
  • DG Grading
  • Financing limits
• maintaining a Sustainable Asset Register (SAR), including the details of approved eligible assets or projects and eligible assets or projects already assigned to be financed through the proceeds of sustainable instruments. The SAR is to be presented to ALCO for review periodically
• managing credit risk by ensuring the appropriate credit watchlist early indicators of are monitored
• oversight on restructures including interest and capital amendments, covenant condonement and waivers, concessions, any amendments to the original approved terms and conditions, and extensions of terms and extensions of maturities.
	Attendees
	• ARO Specialist Credit Sector Head
	• Managing Director
	• Finance Director
	• Country Treasurer
	• Head of Legal
	• Corporate Banking Director
	• Business Banking Director
	• Head of Markets
	• Chief Risk Officer – Non-voting member

Board objectives and performance

The Board is ultimately responsible for protecting shareholders' interests, establishing management policies, and acting as a fiduciary for shareholders, bearing in mind and balancing other stakeholder needs. The Board must ensure that management strikes an appropriate balance between promoting long-term sustainable growth and delivering short-term performance. Accordingly, there is alignment between the Bank's strategy as approved by the Board and the Group's overall strategy as set by the Group's Board. **Board objectives reflect the most critical governance focus areas for the year and are directly linked to the Bank's strategic ambitions.**

The Board Charter is the document that guides our Board and its committees in their activities and decisions, in their dealings with each other, as well as with management and our stakeholders. It addresses the composition and responsibilities of the Board, as well as Terms of Reference ("TORs") for the Bank's Committees, reviewed and approved by the Board annually.

The Board Charter is aligned to the King IV™ Code, which establishes the Board's responsibilities and functions, the role and responsibilities of the Chairperson, shareholders and management, and the general governance structure of the Board. It also indicates the key objectives of the Board, which include:

- providing effective and ethical leadership, acting in a way that is considered in good faith, and promoting the success of the Bank for the benefit of its stakeholders;
- ensuring the Bank complies with applicable laws and regulations, and approving proposals within the Board's discretion.
- monitoring business performance and being accountable to shareholders for creating and delivering sustainable shareholder value through sound business management;
- discussing, agreeing on, and regularly reviewing the Bank's business strategies to ensure alignment with the Group's strategies and making necessary adjustments to address local market considerations
- upholding the Bank's approved purpose, values, and behaviors across all Board activities.
- executing other important control functions.

On 29 November 2022, the Board considered and approved its specific objectives and focus areas for 2023, which the Board then assessed achievement against on 8 April 2024. **The objectives and critical success factors of those charged with governance are clearly defined.**

Protecting value through strong governance continued

Governance objectives and focus areas

Corporate strategy

Stakeholders affected

Capitals affected

Over the period, the Board focused on overseeing the execution of the approved short-term plan for 2023 and the medium-term plan, which was approved in November 2022. The Board placed particular emphasis on ensuring that this oversight was conducted not only from a financial performance perspective, but also in alignment with a desirable control environment and compliance with the regulatory framework within which the Bank operates.

While there was extensive engagement and achievement regarding elements of this objective, and much achieved on various elements of the Bank's performance, it is recognised that some lines of the financial performance, such as the return on equity (ROE) did not meet expectations. This was however mostly due to a higher cost-to-income ratio, as operating costs increased - inclusive of the once-off staff retrenchment cost. The Board is of the view that the strategy, however, remains robust with a focus on growing and diversifying our revenue, fuelled by transactional volumes.

2024 focus areas:

- Monitor financial performance including key deliverables such as diversification of revenue streams with a deliberate transactional led growth and capital light revenue while considering the uncertainties within the macro environment
- Performance Evaluation: monitor the Bank's key performance indicators, and operational efficiency, and take corrective action as needed to improve performance
- Risk Management: oversee and evaluate the risk management policies and practices to ensure that the Bank operates within acceptable risk parameters and complies with regulatory requirements.

Customer centricity

Stakeholders affected

Capitals affected

Over the period, the Board continued to emphasise the end-to-end client experience and centricity by monitoring and assessing key performance indicators related to value creation for customers and the Bank's goal of being their primary partner. Customer Experience scores improved significantly across all business segments compared to 2022 and exceeded the set targets. Commendable strides and efforts were made to ensure that client experience remains at the forefront of decision-making and collaboration, particularly during the launch of the Group's new purpose and the Bank's cultural transformation journey.

2024 focus areas:

- Continue to focus on value creation for clients, with a focus on human-centered empathy in creation and implementation of services and solutions
- Deliberate alignment with new values and purpose driven approach to embed the Bank's brand in the market by prioritising people and their experiences.

Substantive achievement | Modest achievement | Limited achievement

Protecting value through strong governance continued

Governance objectives and focus areas

Technology

Stakeholders affected **Capitals affected**

Over the period, the Board was pleased with the focus placed on ensuring the security of our platforms, which has not only fortified the Bank's digital infrastructure but fostered a sense of trust and confidence among our clients. Although growth was realised in digitally active customers across all business segments, other areas of the deployment and stability of technological innovation for seamless customer experience were not met.

2024 focus areas:

- Detailed technology roadmap as aligned with approved strategy, with regular reports thereafter
- Oversee the digital journey of the Bank and ensure alignment with the overall Bank strategy
- Provide oversight of a safe and secure environment with a particular focus on cyber information and data protection, an optimised and sustainable customer experience (recognising different needs for our different customers) and sustainable benefits realisation and adoption of digital channels, within the context of an accelerated pace of change.
- Performance and reward.

People and culture

Stakeholders affected **Capitals affected**

Despite implementing a restructuring exercise in the latter part of the year, the Board noted considerable progress on the employee front with marked improvement observed in cultural transformation, Employee Value Propositions enhancements, including the approval of the phantom share scheme, as well as marginal improvement in the employee experience index. Regular reports were received and deliberated by the Board in terms of diversity, succession and remuneration and reward. Importantly, extensive engagements were held on talent retention and the talent management process by the Board HR Committee and the Board.

2024 focus areas:

- Building a sustainable and future fit organisation
- The continued culture transformation journey and related employee engagement, alignment with the purpose, values and strategy of the Bank
- Talent management strategy-overseeing the development of a strong leadership team and a skilled workforce, and ensure that the Bank has robust succession planning and talent development programs in place.

Active force for good

Stakeholders affected **Capitals affected**

Commitment to corporate social responsibility garnered industry recognition, aligning the Bank's values with impactful community contributions through thought leadership, various educational initiatives and sponsorships, and particularly driving the ESG agenda with the listing of the first green bond in the market. A satisfactory control environment was achieved as well as the embedment of the Sustainability Framework into operational activities, in alignment with sustainability metrics, targets and scorecard setting. A concerted effort in disclosures resulted in successful adoption of all proposed resolutions at the Annual General Meeting. The Board will continue to substantially monitor and promote the Bank's ambition to be an active force for good in everything we do.

2024 focus areas:

- Monitoring of the control environment and management approach to controls
- Governance and compliance - promotion of corporate governance through adequate practices, integrated reporting and increased disclosures
- Provide oversight of the Bank's compliance with relevant laws, regulations, and corporate governance best practices, ensuring that the Bank operates ethically and transparently
- Environmental sustainability, including eco-friendly and socially responsible products
- Continue embedding sustainability in our business operations with key focus on promoting a just society, education and skills development, advancing inclusive financing and combating climate change.
- From a corporate governance perspective, the Board will focus on proportionate and effective implementation of the guidelines on corporate governance for banks/financial institutions licensed and supervised by the Bank of Botswana.

Substantive achievement | Modest achievement | Limited achievement

Protecting value through strong governance continued

An ethical bank

The Board holds ultimate accountability for the Bank's performance and affairs, ensuring adherence to high standards of ethical behaviour. Absa's **values,** as detailed on page 9 of this report, help shape our culture and guide our **behaviour**, influencing how our employees, clients and stakeholders perceive their interactions with us. We believe this fosters co-ownership of the Bank's purpose and values, promoting collaboration in achieving our strategic ambitions.

An ethical culture fosters values-based decision-making and demonstrates how our policies and practices align with **Absa's values**. This drives proper behaviour towards our stakeholders.

A key element in creating an ethical environment is the governance framework that guides and holds relevant stakeholders accountable for the expected behaviour. The Absa Way Code of Ethics outlines our values and expected behaviours when engaging with our fellow employees, clients, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community. The objective is to define how we think, work and act as the Bank to ensure we deliver against our purpose and includes commitment by the Board and Executives. Over the last year, the Board reviewed and approved the following key policies to promote an ethical environment with clear responsibilities and accountability:

- June 2023: Absa Way Code of Ethics
- August 2023: Conflict of Interests Policy, Whistleblowing Policy Reputation Risk Policy and Conduct Risk Framework
- November 2023: Anti Bribery and Corruption Policy

In 2023, the ethics risk assessment survey was successfully conducted across the Bank's operations. The survey focused on ascertaining perceptions of behaviours of fellow employees, line managers, and leaders while assessing the effectiveness of ethics processes and reporting systems. The survey further included the benchmarking of Absa ethics risk assessment survey results with local and international peers of similar sizes and industries. The ethics risk assessment resulted in an overall increased ethics score by five points from the previous score.

Targeted and focused reports with actions to address identified gaps were regularly presented and deliberated at the Board Human Resources Remunerations and Nominations Committee, Board Risk Committee and Board Audit Committee.

Our conduct and how we do things are consistent with our purpose.

The Bank has several mechanisms that govern employee conduct, including, but not limited to, the Absa Way Code of Ethics, Absa Values, Conduct Risk Framework, and the Conflict-of-Interest Policy. Mandatory compliance training is provided and monitored for employees across different segments, covering the prevention of financial crime, the Absa Way Code of Ethics, the treatment of personal data, and principles of market conduct, among other topics. In 2023, leadership training deliberately included topics on anti-money laundering and anti-bribery and corruption.

We monitor employee conduct through various risk mitigation tools such as the C-Zone compliance monitoring platform, culture surveys and tracking disciplinary cases, grievances, and incapacity matters in accordance with relevant policies. An employee's annual performance assessment includes an evaluation of their conduct. Unethical or improper conduct may result in a range of disciplinary actions, including summary dismissal. Details on employee relations cases over the year can be found under the Winning, Talented, and Diverse Team strategy pillar on page 73 of this report.

The Board views unethical behaviour with utmost seriousness and has established platforms for employees to report inappropriate conduct, including a whistleblowing avenue that allows for anonymous reporting. Whistleblowing provides a safe and confidential means for employees to raise concerns about unethical behavior and/or fraud. Reports and analysis of whistleblowing trends and cases are presented to the Board by the Compliance Director on a quarterly basis. Over the last year, of the seven reports initiated and finalised, three were unsubstantiated, and four were partly substantiated. The aging of whistleblowing cases is actively monitored and reported on, with regular feedback provided to whistleblowers who choose not to remain anonymous. While some cases are unfounded, those that are upheld provide essential insights for management, leading to the implementation of additional controls, consequence management, or other necessary behavioural changes. In such instances, thorough investigations were conducted, and appropriate disciplinary actions were taken where required.

On the overall, the Bank has zero tolerance for wilful detriment to clients, market integrity, and competition caused by inappropriate supply of financial services, including wilful and negligent misconduct, breach of regulatory requirements or bank policies and unethical behaviour. Personal accountability is central to our culture and our behaviours throughout the organisation, starting with the Board and senior management.

Whistleblowers can email protect@tip-offs.com or visit https://www.tip-offs.com. They can also email the Absa Priority Investigations and Whistleblowing team directly at protected@absa.africa or send an anonymous message.

WhatsApp: 0027 860 660 007
Orange: 1144
Mascom: 71 119 312
BTC: 0800 600 644

Protecting value through strong governance continued

Management's commitment to the Absa Way

Keabetswe Pheko-Moshagane
Managing Director

> **"It starts with me: I commit to abiding by the Absa Way and holding myself accountable against it. Each member of my executive team and each Absa employee commits to the code in their own capacity, as we individually take responsibility for the impact of our actions on the world."**

As senior leadership, our purpose of empowering Africa's tomorrow, together... one story at a time is shaped by the Absa Way Code of Ethics. The Absa Way and our **Values define the expected behaviours** when engaging with our employees, customers, clients, shareholders, governments, regulators, business partners, suppliers, competitors, and the broader community. They also outline how these stakeholders are expected to engage with us. We are deeply committed to promoting principled behaviour across our entire organisation.

We safeguard customers' hopes and enable success; without their trust, we cannot exist. To maintain the trust of our customers, clients and other stakeholders, we commit to acting with integrity as outlined in the Absa Way. We continuously improve by challenging ourselves to find better ways to achieve sustainable growth and empower Africa's tomorrow, together... one story at a time. As our internal policies and standards evolve in response to the changing environment, so will the Absa Way. The foundational principles will, however remain; that is to act ethically, fairly and sustainably to ensure long-term value for our stakeholders.

Our target conduct outcomes, include the following commitments:

- Our culture places customer interests at the heart of our strategy, planning and decision-making. We consider customers' and clients' needs over the long term when making decisions.
- We operate in a highly regulated environment. All relevant laws and regulations must be complied with and all communications with our regulators must be open and transparent.
- We are committed to addressing environmental and social impact by taking steps to identify both direct (own consumption and disposal of resources through its own operations) and indirect (those arising through the supply chain or through the provision of financial services to businesses and projects which may have material environmental social impacts) environmental and social risks.
- Our strategic intent of being an "active force for good" by playing a shaping role in society and championing the right social outcomes that promote sustainable growth. We seek to understand and manage the impact that our business may have on the communities within which we operate.
- We aim to support sustainable growth and minimise any potential harm to society as part of our corporate social responsibilities to the greater community.
- We are committed to conducting our activities free from any form of bribery or corruption. We adopt a zero-tolerance approach to any acts of bribery or corruption perpetrated by Absa employees, suppliers, other related third parties and customer with whom we do business or who act on our behalf.
- We commit to being transparent, honest and open on our actions, communications and behaviour when dealing with internal and external stakeholders.
- We are committed to ensuring the health, safety and welfare of our employees and contractors, customers, and visitors, in line with our Occupational Health and Safety Policy.
- Personal data is valuable, and we will always act fairly, ethically, and carefully when dealing with it. The proper handling and protection of personal data is critical to developing trust and sustaining long-term partnerships with all our stakeholders. All Employees and Stakeholders must protect and maintain Absa's confidentiality.
- We support the ethical and responsible development and use of Artificial Intelligence in a manner that is unbiased, ethical, fair, safe, robust, secure and beneficial to society.
- Our Transformation, Diversity & Inclusion vision is to bring our African heartbeat to life, through the creation of an inclusive work environment which attracts, embraces, and fosters diverse talents, skills and perspectives.
- We have no tolerance on unfair discrimination in employment practices, nepotism, cronyism, favouritism, sexual harassment, and bullying.

Protecting value through strong governance continued

Board evaluation and effectiveness

As the focal point and custodians of corporate governance, there is a direct correlation between the performance of the Board and the performance of the organisation over which it provides oversight. Board culture similarly influences the organisational culture, and it is therefore important to assess and develop the culture that is wanted at all levels. King IV™ under Principle 9 provides that the Board should ensure that the evaluation of its performance, its Committees, its Chairperson and its individual members, to support continued improvement in its performance and effectiveness.

Regular performance assessments provide the Board with an opportunity to review and improve its performance. A rigorous Board evaluation allows the Board to reflect on its roles, responsibilities, culture and its relationship with management. Over the last year, the Board appointed an independent supplier, and commenced an externally led evaluation to look at the Board's performance, which included evaluations of the Board Committees, individual Board Members and the Company Secretary. The process of evaluation consisted of members completing an online questionnaire that was drafted using best practice as espoused by the King IV™. In addition, members attended confidential one-on-one interviews with the facilitator, to enable scoring and trend analysis of the feedback.

Members rated questions relating to the Board's performance on a scale of one – five (1-5), where one (1) is poor and five (5) is excellent. The private sector benchmark was pegged at 4.2/5 and the Bank's Board scored an overall 4.3/5. A summary of areas assessed and findings thereof was as follows:

Themes assessed and attained score	Items assessed within themes
Board composition 4.2/5	• Independence and objectivity of members (i.e. balance of power) • The process for nomination, election and appointment of members onto the Board • Having the necessary knowledge, skills and experience needed • The diversity of members • The size of the Board • The process of rotation and succession planning of Board members.
Board culture 4.2/5	• Transparency, fairness, competence, integrity, responsibility and accountability • Number of meetings and time provided for meetings • Boardroom climate or atmosphere • Level of quality of discussion, participation and contribution of members • Detail and quality of the information provided to the Board • Quality of Board meeting minutes • Timing of responses by Board members • Level of communication received from management • Appropriateness and/or process followed for decision.
Board roles and responsibilities 4.2/5	• Access to independent professional advice • Combined assurance • Responsible investing • Stakeholder relationship management • Remuneration • Group governance • Good performance • Legitimacy • Ethical culture • Effective control.
Board committees 4.5/5	• General • Board Audit Committee • Board Credit Committee • Board Risk Committee • Board Human Resources, Remuneration and Nominations Committee.

Protecting value through strong governance continued

Board evaluation and effectiveness

Themes assessed and attained score	Items assessed within themes

Board role players 4.4/5	• **Delegation to Management:**
	  • MD accountability, direction provided to management for information and quality of reports expected
	  • Delegation of authority framework
	  • Access to management and further information
	  • Oversight around the appointment of key executive and/or management function
	  • Tone at top management
	  • Succession planning
	  • MD evaluation.
	• **Board Chair and Lead Independent Director:**
	  • Effectively managing boardroom dynamics
	  • Ensuring that agendas are appropriately set
	  • Acting as a spokesperson and organisational representative
	  • Acting with the requisite independence
	  • Effectively managing meetings.
	• **Executive Directors and Senior Leadership**
	  • MD link between Management and the Board
	  • Level of quality and frequency of communication
	  • The leadership provided to the executive team
	  • Leadership style.

The Board is satisfied that the evaluation process is improving its performance and effectiveness.

As per the BSE Listings requirements, the Board also assessed the Company Secretary and is satisfied with the competence, qualifications and experience of the Company Secretary. The secretariat is executed by Yonta Leburu, who is a qualified attorney, duly admitted in the High Court and Other Courts of the Republic of Botswana.

Over the last year, the secretariat function attended the training sessions as provided to directors as well as the corporate governance refresher training focused on ESG, risk management and corporate reporting. Details of the Company Secretary's qualifications and experience are on page 90 of this report.

Protecting value through strong governance continued

Board Committees' reports

Board Committees assist the Board in the execution of the Board's duties and responsibilities, with each committee comprising suitably skilled directors and statutory committees having independent non-executive directors as chairpersons. Each committee has written terms of reference that are reviewed annually and mapped to applicable legislation, regulation and governance practices to ensure relevance and compliance. As indicated on page 92, the Board reconstituted the committees in the interim post the resignation of the previous Board Chairman, and committees will once again be assessed and constituted post the conclusion of the non-executive director recruitment project.

Board Audit Committee

Benjamin Kodisang
Chairperson

Attendees

Members
- Thabo Matthews and Sari Nikka

Mandatory attendees
- Managing Director
- Finance Director
- Compliance Director
- Chief Operating Officer
- Chief Risk Officer
- Chief Internal Auditor
- Head of Legal
- External Auditors
- Country Treasurer
- Other attendees – senior management officials as necessary

Mandate

- Primary objective is to ensure that the Bank has implemented and manages an effective audit management plan and set of policies that will support the Bank's ability to achieve its strategic objectives.
- This includes to review the Bank's accounting policies, the contents of the financial reports, disclosure controls and procedures, management's approach to internal controls.
- To review the adequacy and scope of the external and internal audit functions, comply with regulatory and financial reporting requirements, oversee the relationship with the Bank's external auditors and to provide assurance to the Board that executive management's control assurance processes are implemented and are complete and effective.
- In particular, the Committee monitors financial controls, accounting systems, and shareholder reporting.
- It also assesses the management of key financial risks.
- In line with corporate governance best practice, an INED other than the Chairperson of the Board is appointed to chair the Committee.
- The function of the Chief Internal Auditor is accountable to the Audit Committee and is responsible for development and maintenance of the Quality Assurance and Improvement Programme (QAIP) as required by the Standards for the Professional Practice of Internal Auditing.
- The Committee oversees the appointment of the Finance Director and reviews the expertise, resourcing and experience of the Finance function.
- The external and internal auditors have free access to the Chairperson of the Committee

2023 Focus areas and material decisions

- Five meetings held over the year.
- Review and approval of recommendations to make once-off prior period adjustments and correction of restating each of the affected financial statement line items for the period 2021 and 2022.
- Consideration of interim and final dividend, which were recommended to the Board for approval.
- Solvency assessment.
- The Committee satisfied itself the external auditor is independent of the Bank
- Sustainability of the control environment, including continued oversight on the lines of defence and the combined assurance providers.
- Approval of internal and external audit plans.
- Review and approval of key risk areas.
- Review and approval of audit materiality.
- Deep dive into taxation risk and environment.
- As per the BSE Listing requirements, assessment of the performance of the Chief Internal Auditor and Finance Director was conducted:
  - The Committee is satisfied with the performance of the Chief Internal Auditor, who's qualifications and experience are indicated on page 90 of this report.
  - Given the resignation of the previous Finance Director, the Committee approved the appointment of the Bank's Chief Risk Officer, Leroy Klein, as the interim Finance Director whose qualifications and experience are detailed on page 88. The Committee is satisfied with the interim Finance Director's performance thus far.

2024 Focus areas

- The Committee's 2024 forward planner was approved on 16 November 2023

Focus will be on the following:
- Internal controls, particularly continued automation journey.
- Statutory responsibilities, including annual and interim financial reporting and regulatory disclosures.
- Continued focus on the sustainability of the satisfactory control environment, including adequacy and effectiveness of internal controls over financial reporting.
- Ensure that a more effective combined assurance model is applied to provide a coordinated approach to assurance activities.
- Performance of relevant deep dives on emerging risk topics.
- Dual mandate of meeting the enhanced oversight requirements, while also managing the cost of compliance will be top of mind.
- Appointment of substantive Finance Director.

Protecting value through strong governance continued

Board Committees' reports

Board Risk Committee

Sari Nikka
Chairperson

Attendees

Members
- Kgotlayarona Ramaphane and Saviour Chibiya

Mandatory attendees
- Managing Director
- Finance Director
- Chief Internal Auditor
- Chief Operations Officer
- Chief Risk Officer
- Head of Compliance
- Treasurer
- Head of Legal
- Chief of Staff, Strategy and Sustainability Officer
- Other attendees–senior management officials as necessary

Mandate

- Primary objective is to ensure that the Bank has implemented and manages an effective risk management plan and policies that will support the Bank's ability to achieve its strategic objectives.
- To ensure that the Company has implemented and manages an effective risk management plan and set of policies that will support the Bank's ability to achieve its strategic objectives.
- To ensure that the Bank has effective capital and liquidity processes in place and their management is effective and optimal on an on-going basis;
- To provide oversight on the Bank's sustainability risk framework and programs and mitigating controls on behalf of the Board and regularly provide assurance to the Board on the management of sustainability risk.

2023 Focus areas and material decisions

- Five meetings held over the year.
- Incorporation of sustainability risk reporting oversight in the Committee's Terms of Reference.
- Approval of the Bank's first Strategic, Sustainability and Reputational Risk Framework.
- Approval of the Bank's first Sustainable Finance Framework.
- Risk appetite and principal risk profiles review and approval.
- Capital optimisation.
- Internal capital adequacy assessment process (ICAAP).
- Review of Internal Liquidity Stress Metrics.

2024 Focus areas

- The Committee's 2024 forward planner was approved on 14 November 2023.

Focus will be on the following:
- Macro-economic/sovereign risk exposures into the risk management process and performance.
- Sustainability strategy and implementation.
- ESG monitoring and disclosures.
- Bank's readiness to transition to Basel 3 reporting.
- Compliance with new data privacy regulations.

Protecting value through strong governance continued

Board Committees' reports

Board Credit Committee

Benjamin Kodisang
Chairperson

Attendees

- Members – Thabo Matthews and Sethunya Makepe-Garebatho

Mandatory attendees
- Managing Director
- Finance Director
- Chief Credit Officer

Other invitees
- Retail Director
- Corporate Banking Director
- Chief Risk Officer
- Business Banking Director
- Head of Corporate Credit
- Economist
- Head of Retail Credit
- Head of Business Support and Corporate Recoveries

Mandate

- Primary mandate is to exercise oversite over Credit Risk, functioning as the ultimate sanctioning authority and to review the Bank's credit portfolio s tabled by the Bank's Chief Credit Officer.
- To discuss and review credit policy and strategy; and ensure that the Bank remains competitive by monitoring, discussing and advising on the Bank's credit risk appetite and tolerances in aggregate by sector and/or product.
- To ensure compliance with statutory and regulatory requirements on lending limits, capital adequacy and statutory ratios.
- To provide input on political, environmental and socio-economic matters in order to ensure that all relevant non-credit risk issues, are taken into account in making sanctioning decisions.
- To monitor, advise on and review lending to persons and institutions that may impact on the Bank's reputation and relationship with key stakeholders.
- To monitor the overall health of the Bank's lending book based on sector, currency, maturity and including impairments.

2023 Focus areas and material decisions

- Four meetings held over the year.
- The macroeconomic environment, including economic recovery, headwinds and volatility, and sector stress to assess possible impacts on the sector limits and risk appetite.
- Approval of the establishment of a Management Credit Committee and its terms of reference.
- Single-name exposures were approved.
- Deep dives were conducted on the diamond sector, retail and wholesale sector, tourism sector, agriculture sector, construction and the manufacturing sector.
- Capacity and structure of the Credit team.
- Sovereign and Country Review.

2024 Focus areas

- The Committee's 2024 forward planner was approved on 14 November 2023.

Focus will be on the following:
- The macroeconomic environment.
- Insights into emerging industry and sector trends.
- Continued monitoring on large and single name exposures.
- Review of key credit frameworks and policies.
- Monitoring the sectors affecting our sustainability ambitions and targets.

Protecting value through strong governance continued

Board Committees' reports

Board Human Resources Remuneration and Nominations Committee

Kgotlayarona Ramaphane
Chairperson

Attendees

Members
- Sethunya Makepe-Garebatho and Cosmas Moapare

Mandatory attendees
- Managing Director
- Finance Director
- People Function Director

Other invitees
- Senior management as and when necessary reporting on targets and progress made.

Mandate

- The Committee's primary objective is to provide oversight over the recruitment, staffing, and succession planning, as well as performance and compensation of executive management through review of various incentive proposals.
- The Committee is also tasked with reviewing the level of competency and skill at the Executive and Board levels, and providing recommendations for achieving the best overall skills coverage, whether through up-skilling or recruitment.
- In addition, it is within the Committee's mandate to consider the overall strategy and approach to any issues or projects of significant impact to the Bank's People Function.

2023 Focus areas and material decisions

- Five meetings held over the year.
- Approval of short term incentive pool and allocation principles.
- Considered, approved and recommended the Bank's Phantom Share Scheme to the Board.
- Approval of Bank-Wide salary mandate.
- Review and approval of CMC short-term and long-term incentives. A detailed remuneration report is on pages 107 to 112 of this report.
- Holistic increase in our short-term incentive allocation, particularly for more junior employees.
- Review of cultural transformation program with quarterly reporting on targets and progress made.
- Considered and reviewed findings on the role specific remuneration survey and benchmarking exercise check and challenged management propositions on the three to five-year strategy for adequate competitive remuneration across the Bank.

2024 Focus areas

- The Committee's 2024 forward planner was approved on 20 November 2023.

Focus will be on the following:
- Attracting and retaining top talent, scarce and critical skills, and mitigating the impact of macro issues and talent competition in the financial services industry.
- Responsible remuneration in the context of the market, business performance and stakeholder feedback.
- Best-practice disclosure requirements covering broader ESG and specific remuneration matters.
- Review and alignment of the HR Policy repository.
- Benchmark best practice on control function remuneration.
- Recruitment of at least three non-executive directors on the Board, in consideration of regulations, skill set, gender balance and age mix.

Rewarding value creation

Remuneration report

Kgotlayarona Ramaphane
Chairperson of the Human Resources Remuneration and Nominations Committee ("HR Committee")

"The HR Committee will continue with its efforts on remuneration's strategic role in enabling sustainable organisational performance and stakeholder value creation by balancing shareholder and employee interests over time."

HR Committee Chairman's Background Statement

I am pleased, on behalf of the HR Committee and the Board, to present our 2023 Remuneration Report, which sets out our remuneration guiding principles and implementation outcomes as per our remuneration policy.

This includes individual remuneration for non-executive directors, and executive directors, as well as averaged remuneration data for our Country Management Committee, senior management, middle management and non-management cadres. As a Board, a holistic Employee Value Proposition (EVP) is key in the recruitment and retention of talent as well as sustenance of the right culture across the organisation. Although not the only consideration, employee remuneration is a substantial consideration in the EVP and is in fact the largest contributor to the Bank's cost base. It is therefore crucial that remuneration decisions are strategically focused, with a view to ensuring the greatest impact of our investment.

This enables prioritisation of our investment, with different emphasis over the short and medium term to address critical areas of focus. This is considered within the context of the overall affordability of our remuneration initiatives, in terms of prioritisation. In this regard, balance is required between specific investment in remuneration and retention of executives/key talent/critical skills (both present and future-focused), while ensuring that our remuneration practices adhere to our commitment to fair and responsible remuneration.

The HR Committee will continue with its efforts on remuneration's strategic role in enabling sustainable organisational performance and stakeholder value creation by balancing shareholder and employee interests over time.

As a Bank, our remuneration framework and policies guide the actions we take in this regard, factoring into consideration good corporate governance and international best practice, as well as feedback received from our various stakeholders. The Bank is part of the Absa Group and our remuneration policy stems on the following pillars:

- Support the realisation of our stakeholder aspirations, with a specific focus on rewarding our employees for the achievement of our strategy within our risk appetite relative to performance and shareholder returns.
- Align the long-term interests of our executives and shareholders by ensuring transparent remuneration outcomes aligned to the value we create in the short, medium and long-term. This entails a specific emphasis on the contribution of longer-term incentives for senior and executive employees, which are aligned with market practice.
- Attract, retain and engage high-caliber individuals with the skills, ambition and talent to deliver our strategy.
- Drive our culture while taking ownership and accountability for responsible, sustainable business growth and success. We aim to achieve this by:
  - ensuring that employees share in the Bank's success, differentiated based on their contribution, in both the short and long-term; and
  - ensuring that our employees' ethical behaviour, values and adherence to our risk management principles are recognised in their performance ratings.
- Pay-for-performance by aligning incentive outcomes to performance and value created. Within this context, we apply deferrals, malus, and clawback provisions to ensure the effective alignment of risk and reward within the context of the Bank's performance outcomes and to discourage inappropriate behaviour.
- Deliver fair and responsible remuneration through regular reviews of remuneration differentials and appropriate decisions that impact our junior employees. This includes a concerted emphasis on addressing differentials in reward, considering diversity.
- Continuously build confidence and trust in our reward outcomes through high-quality reward governance, engagement in our disclosure with shareholders, and internal transparency and effective communication.

From a non-executive directors' perspective ("NEDs"), the secretariat function conducted desktop market research, as per the available disclosed remuneration, in terms of board fees for similar institutions,

Rewarding value creation continued

Remuneration report

and recommended NED fee increases to the Absa Group Directors Affairs Committee ("DAC"), as per the Group Governance Framework. The DAC assesses the appropriateness of NEDs fees every two years, and based on this, recommendations are made to the Board, and subsequently to shareholders. This year, the recommended NED fees are generally pegged at a 10% increase from the last approved fees, and will be valid for a two-year cycle. Exceptions are noted for the Board Audit Committee (50% increase) and Board Risk Committee (32% increase) to cater for complexity, workload as well as to align with the market. These proposals, which will be for January 2024 – December 2025, were approved by the Board on 30 May 2024 and will be tabled to shareholders at the 38th Annual General Meeting ("AGM") scheduled to take place on 27 June 2024. Additional details on the proposed NED fees can be viewed on the shareholder information section on page112 of this report.

In terms of executive directors' and employee remuneration, our principles and practices were designed to deliver remuneration that is market-competitive; fair and responsible; incentivise performance; assists in attracting and retaining talent and those with scarce skills; and is aligned with the risk and conduct expectations of the Bank. In doing so, the Board remained cognisant of the balance of stakeholder interests over the long term when considering the remuneration fixed and variable pay outcomes. Factors considered include a comparison of the remuneration practices and policies of competitor banks, available market information, talent and critical skills retention, overall Absa Group performance and approach to remuneration. In considering the salary mandates, performance pay including short term and long-term incentives, deliberations of the HR Committee and the Board considered several fundamental principles to guide decision-making, including:

- Overall Group performance
- Relative and absolute Bank performance
- The individual executive's performance, underpinned by balanced scorecards
- An appropriate mix of short-term and long-term remuneration, to ensure alignment with the creation of long-term stakeholder value
- Appropriate consideration of the experience and tenure of executives in their roles, and for more recent appointments, to ensure that there is an appropriate runway to develop into their roles
- Ensuring that we do not have a disproportionate allocation of the short-term incentive pool to more senior levels, with junior employees continuing to receive an appropriate share of the short-term incentive pool and
- Market competitiveness of our executive remuneration relative to our peers and other large organisations in our market.

The Board, through the HR Committee thus reviewed and exercised oversight on the critical decisions regarding executive and bank-wide remuneration, including the salary mandate and country bonus pool distribution principles. Over the last year the HR Committee approved and recommended the Absa eKhaya Colleague Share Scheme, which is a phantom share scheme for the Bank's employees that was launched on 1 September 2023 for the Board's approval. The Broad Based-Black Economic Empowerment (B-BBEE) Absa eKhaya Colleague Share Scheme was launched on 1 September 2023. The Absa eKhaya Colleague Share Scheme will provide employees in South Africa with an equity ownership interest in Absa Group while employees in Botswana will be entitled to an equivalent gross value linked to the benefits which South African Scheme Participants will receive under the Absa eKhaya Colleague Share Scheme, accounted for as a cash-settled share-based payment arrangement.

Bank performance is a critical lens through which remuneration decisions are made, and key considerations included the operating environment vis a vis financial performance:

▲ Revenue increased by 14%, which was slightly higher than the prior year at 13%.

▲ Pre-Provision Profit stood at P907million, reflecting a year-on-year growth of 4%.

▼ Return on Equity (ROE) of 20.6%, which was lower than the prior year (2022: 23%) and reflects the costs we have had to absorb in our business. In the absence of the impact of once off adjustment in the current year our ROE would show an improvement to 24%.

◀▶ Although impairment charges of P76.5million were higher than prior year (at P10m), this is due to YOY increase coming from a low base. The 2023 position is thus close to a normalised view in terms of the performance and the quality of the loan book.

The Bank maintained stability on its capital position with Common Equity Tier 1 ratio at 16.3% (2022:16.9%), remaining comfortably above regulatory requirements.

The Bank delivered a resilient performance in 2023, and this is reflected in our remuneration outcomes. As the Board, we have sought to ensure an appropriate balance of stakeholder interests in these outcomes and focused on attracting, motivating, and retaining skilled and talented individuals. In this context, we continue to give considerable attention to ensuring that our remuneration philosophy and policy are fit-for-purpose and support the Bank's strategy. During 2024 we will focus on;

- Continued shareholder engagement
- Appropriate remuneration mix at all levels, including control function remuneration
- Fair and responsible remuneration and
- Attracting and retaining top talent, scarce and critical skills, and mitigating the impact of macro issues and talent competition in the financial services industry.

Rewarding value creation continued

Remuneration of Non–Executive Directors in 2023 is as follows:

	Board	Audit Committee	Risk Committee	HR Committee	Credit Committee	Round Robin Applications	Special Meetings	Lead Independant Director	Subsidiary Entities	Total
Director	(BWP)									
Cosmas Moapare (Board Chairman)	305 000	127 500			36 667	13 000	37 200	100 000	12 600	**631 967**
Kgotlayarona Ramaphane (Lead Independent Director)	227 600		45 000	90 000		13 000	40 300	20 000	8 400	**444 300**
Sethunya Makepe-Garebatho	227 600		37 500	44 000	7 333	19 200	31 000			**366 633**
Sari Helena Nikka	227 600	12 750	90 000	36 667		13 000	40 300			**420 317**
Benjamin Monaheng Kodisang	227 600	89 250			90 000	10 400	31 000			**448 250**
Thabo Kagiso Matthews	227 600	76 500			44 000	15 600	37 200			**400 900**
Saviour Mwepu Chibiya (Absa Group Limited Nominee)	Remuneration of director paid by Absa Group Limited.									
Daniel Neo Moroka (Former Board Chairman)	576 667					7 800	27 900			**612 367**

Notes:

- Daniel Neo Moroka resigned from the Board on 31 October 2023.
- Cosmas Moapare was appointed Interim Board Chairperson on 1 November 2023.
- Kgotlayarona Ramaphane was appointed Interim Lead Independent Director on 1 November 2023.
- Benjamin Kodisang was appointed Interim Board Audit Committee Chairman on 1 November 2023.
- Saviour Mwepu Chibiya is a Non-Executive Director of the Bank and Group nominee, with his remuneration being paid by the Group. Details on his remuneration can be found on pages 49 – 50 of the Absa Group Remuneration R eport**https://www.absa.africa/wp-content/uploads/2024/04/Absa-Group-Limited-Remuneration-Report.pdf.**

Rewarding value creation continued

Remuneration report

Remuneration of Executive Directors in 2023 is as follows:

(BWP)	Cynthia Morapedi ** (Finance Director)		Keabetswe Pheko-Moshagane (Managing Director)	
Awarded remuneration*	**2022**	**2023**	**2022**	**2023**
Salary	1 903 283	2 005 974	3 288 120	3 907 391
Medical aid	55 416	66 744	44 124	58 338
Pension and retirement benefits	256 943	270 806	443 896	527 498
Other employee benefits	284 253	227 043	975 721	759 849
Total fixed remuneration	**2 501 917**	**2 572 591**	**4 753 883**	**5 255 099**
Non-deferred cash award	400 000		1 589 326	1 476 041
Deferred share award			832 504	3 541 377
Total short-term incentives	**400 000**		**2 421 850**	**5 017 418**
Face value of long-term incentive award (on target award)			**3 350 453**	**4 089 961**
Total awarded remuneration	**2 901 917**	**2 572 591**	**10 526 186**	**14 362 478**

*Notes detailing the components of the type of remuneration can be found in "Categories of Remuneration" on page 112 of this report.
**Cynthia Morapedi resigned from the Bank and Board on 14 May 2024.

All shares referred to, form part of the Absa Group Limited share incentive plans. No shares are awarded for Absa Bank Botswana Limited.

Remuneration of Country Management Committee in 2023 is as follows:

(BWP)	2022	2023
Awarded remuneration*		
Total CMC Salary	16 708 829	21 067 297
Average CMC Salary	**1 285 295**	**1 620 561**
Medical aid	478 531	666 216
Pension and retirement benefits	1 693 797	2 096 028
Other employee benefits	3 498 943	2 377 705
Total Fixed Remuneration	**22 380 100**	**26 207 246**
Total non-deferred cash award	6 638 644	7 728 164
Deferred share award	361 356	1 977 450
Total Short-Term Incentives	**7 000 000**	**9 705 614**
Total Remuneration	**29 380 100**	**35 912 860**

*Notes detailing the components of the type of remuneration can be found in "Categories of Remuneration" on page 112 of this report.
Total number of individuals in the CMC population in calculation of the above are 13, exclusive of the Managing Director, Finance Director and CMC by invite population.

All shares referred to, form part of the Absa Group Limited share incentive plans. No shares are awarded for Absa Bank Botswana Limited. Disclosure of long-term incentive award (on target award) averages for the CMC and senior management groups to commence in the following reporting cycle.

Rewarding value creation continued

Remuneration report

Remuneration of management in 2023 is as follows:

Senior management

(BWP)	2022	2023
Awarded remuneration*		
Total Senior Management Salary	52 537 046	56 273 115
Average Senior Management Salary	**784 135**	**827 546**
Medical aid	1 597 216	1 770 652
Pension and retirement benefits	6 698 689	7 129 543
Other employee benefits	12 258 826	11 953 051
Total Fixed Remuneration	**73 091 777**	**77 126 361**
Total non-deferred cash award	9 424 490	9 848 494
Total Short-Term Incentives	**9 424 490**	**9 848 494**
Total Remuneration	**82 516 267**	**86 974 855**

*Notes detailing the components of the type of remuneration can be found in "Categories of Remuneration" on page 112 of this report.

Senior Management refers to employees at Vice President (VP) job grade with a total number of individuals at 68.

Middle management

(BWP)	2022	2023
Awarded remuneration*		
Total Middle Management Salary	104 089 221	110 043 741
Average Middle Management Salary	**350 469**	**365 594**
Medical aid	6 461 321	7 195 363
Pension and retirement benefits	14 052 047	14 828 479
Other employee benefits	**24 519 768**	**21 276 673**
Total Fixed Remuneration	149 122 357	153 344 256
Total non-deferred cash award	10 461 010	9 597 386
Total Short-Term Incentives	10 461 010	9 597 386
Total Remuneration	**159 583 367**	**162 941 642**

*Notes detailing the components of the type of remuneration can be found in "Categories of Remuneration" on page 112 of this report.

Middle Management refers to employees at Assistant Vice President (AVP) and BA4 job grades with a total number of individuals at 301.

Rewarding value creation continued

Remuneration report

Remuneration of Non-Management in 2023 is as follows:

Non-Management

(BWP)	2022	2023
Awarded remuneration*		
Total Non-Management Salary	110 748 966	116 975 688
Average Non-Management Salary	**169 860**	**178 589**
Medical aid	13 847 185	15 246 923
Pension and retirement benefits	14 835 844	15 618 735
Other employee benefits	11 491 507	10 402 630
Total Fixed Remuneration	**150 923 502**	**158 243 977**
Total non-deferred cash award	8 119 519	7 325 480
Total Short-Term Incentives	**7 000 000**	**7 325 480**
Total Remuneration	**157 923 502**	**165 569 457**

*Notes detailing the components of the type of remuneration can be found in "Categories of Remuneration" on page 112 of this report.

Non-Management refers to employees at BA1 – BA3 job grades with a total number of individuals at 655.

Categories of remuneration

- Fixed remuneration: fixed remuneration is inclusive of payments made in respect of salary, medical aid benefits, pension and other monthly benefits, including allowances.
- Variable remuneration: variable remuneration is inclusive of bonus payments of which a portion may be delivered in the form of share/cash-based payments. Variable remuneration is used to reward the delivery of performance targets. Discretionary annual bonus awards are the primary variable remuneration mechanism and are used to reward performance.
- Non-deferred cash awards: for all employees, non-deferred cash awards is the portion of the short-term incentive award not subject to deferral, paid in cash in March 2023 and March 2024 in respect of prior year performance.
- Deferred share awards: this is the portion of the short-term incentive award that is subject to deferral into Absa Group shares on 50% of the portion that exceeds R1million. Deferred awards were granted in April 2023 for the 2022 short-term incentive award, and will be granted in April 2024 for 2023 performance.
- Total short-term incentives: short-term incentives are not defined as incentives that are settled in the next 12 months after the reporting period, but rather represent the category of performance based awards (comprising a cash payment and a deferred award) per the Group's remuneration policy, to which no future performance targets apply. The only conditions attached to deferred short-term incentives relate to the continued service requirements over the vesting period (three years).
- Face value of long-term incentive award (on-target award): the long-term incentives (LTIP) relate to awards which have future Group performance criteria that will determine the final vesting outcome, in addition to a continued service condition. This is the 'on-target' value of the award. The 2023 LTIP is reported as part of the 2022 total compensation and the 2024 LTIP as part of the 2023 total compensation. Further details on the LTIPs can be found on pages 18 – 17 of the Absa Group Remuneration R eport - **https://www.absa.africa/wp-content/uploads/04/2024/Absa-Group-Limited-Remuneration-Report.pdf.**
- Total remuneration: total awarded remuneration for 2023 includes the fixed remuneration paid during 2023, the total short-term incentive in respect of prior year performance (consisting of a cash award paid in March 2024 and a deferred share award granted in April 2024), and the face value of the long-term incentive to be granted in April 2024. Amounts disclosed in 2022 follow the same principle.

Appendix

King IV™ application

The Bank is subject to various regulatory guidelines as a licensed bank and a listed company, that is also a subsidiary of a listed entity, being Absa Group Limited. Absa Group adheres to the King IV™ code and as a subsidiary company of the Group, the Bank adopted the Group Governance Framework, developed pursuant to the recommendations of King IV™, and as a general governance improvement mechanism for the Absa Group.

This Framework standardises the application of policies and standards and ensures the Bank's minimum requirements in governance, internal controls, financial management, human resource management, legal and regulatory compliance, internal audit, ethics management, stakeholder relationships and sustainability are complied with. It provides clarity on the roles and responsibilities of the Group and subsidiary boards, the proportional application of King IV™ by subsidiaries as well as the management of discretion limits across the Absa Group. Similarly, the Bank also adopted the Group's Policy on Legal Entities and Directors, which is intended to operationalise key governance principles for effective board and legal entity governance. The Board is also continuously seeking to improve our governance practices and to comply with the Principles in King IV™, as indicated in disclosures throughout this report, and summarised below:

Appendix

King IV™ application

King IV™ Principle	Status	Sound governance practices
Principle 1: The governing body should lead ethically and effectively.	Applied	The Board sets the tone and leads the Bank ethically, effectively, and responsibly. Some of the ways in which the board members are held accountable for ethical and effective leadership include application of the Absa Way Code of Ethics and assessment against applicable codes of conduct. The Board reviews individual Board members' individual declaration of interests at the beginning of every Board meeting, which assists the Board in ensuring ethical decisions are made in the best interest of the Bank as a whole. The Board considers actual and potential conflicts of interest in the annual assessment of directors' independence. A director may accept other board appointments, provided that any potential conflicts are considered and appropriately disclosed and managed, and the appointments do not conflict with the Bank and/or adversely affect the director's fiduciary duties. In decision-making, individual Board members act with independence but on a consensus basis, with competence, commerciality and challenge, and the necessary awareness, insight and information. Assessment of the Board's and individual directors' management of conflicts of interests is a key consideration in the external evaluation exercise.
Principle 2: The governing body should oversee the organisation's ethics in a manner that fosters the establishment of an ethical culture.	Applied	Details on organisational ethics in terms of key areas of focus, monitoring of these areas as well as future focus of these areas are detailed on page 98 of this report. Furthermore, the Absa Way Code of Ethics outlines our values and expected behaviour when engaging with our fellow employees, customers, shareholders, governments, regulators, business partners, suppliers, competitors and the broader community. Over the past year, the Board continued to receive the Conduct Risk report on a quarterly basis from the Compliance Director, which includes various indicators that point to the implementation and monitoring of adherence to the approved code of ethics. Indicators include employee training attendance, trends of whistle-blowing reports, data privacy monitoring, as well as implementation plans for crucial compliance initiatives.
Principle 3: The governing body should ensure that the organisation is seen to be a responsible corporate citizen.	Applied	The Bank is grounded in the communities where we operate. The Board oversees the Bank's stakeholder policies and takes a stakeholder inclusive approach, recognising the need for transparent disclosure and open channels of communication. The Board is engaged and on an annual basis, signs off the Bank's strategy, inclusive of the citizenship strategy. On a quarterly basis, the Board is engaged on citizenship initiatives and strategic updates, and during 2023, the Board reviewed the progress of the implementation of the sustainability strategy, which was approved by the Board in 2022. Details on the key areas of focus in terms of being an active force for good, significant achievements over the last year, as well as the planned areas of future focus are disclosed on page 98 of this report.
Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance, and sustainable development are all inseparable elements of the value creation process.	Applied	The Board is accountable for the performance of the Bank, considering the possible positive and negative outcome of the Bank's activities and outputs on the economy, society, and the environment in which we operate. The Board and management have a rigorous combined strategy session annually for appreciation and contribution to the Bank's core purpose and enabling strategic pillars. The 2023 strategy was approved on 10 November 2022. The Board approved the approach and content of the integrated report, which details the value creation and preservation process on 30 May 2024. Other reports such as the Pillar III disclosures as per the Basel II Guidelines can be accessed on a quarterly basis here **https://www.absa.co.bw/bank-reports**

Appendix

King IV™ application

King IV™ Principle	Status	Sound governance practices
Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects.	Applied	The annual financial statements, for the year ended December 2023, inclusive of of the prior period errors, duly restated, were approved by the Board on 20 March 2024, and shared with relevant stakeholders on March 30, 2024. All publications are available to stakeholders at **https://www.absa.co.bw/bank-reports** The Board is engaged on a quarterly basis on the Bank's performance and any risks to its short, medium and long-term prospects and has ensured that this publication contains reports that will enable stakeholders to make an informed assessment on the Bank's performance.
Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.	Applied	The Board has approved key policies and frameworks that promote good corporate governance and duly monitor embedment. The Board Charter and Board Committees Terms of Reference are reviewed and approved on an annual basis in order to continuously improve corporate governance in the Bank. Furthermore, details on the number of meetings held during the reporting period, attendance at those meetings and whether the Board is satisfied that it has fulfilled its responsibilities in accordance with the charter for the reporting period are on page 91 of this report.
Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Applied	As previously indicated, the Board has noted the need to increase the number of NEDs on the Board in order to comply with Board Committee composition guidelines. To this effect, the Bank's constitution will be tabled for amendment at an EGM set for 27 June 2024, which in the main proposes the cap of NEDs to increase from nine (9) to thirteen (13). In terms of the recruitment exercise, the Board was deliberate in the skills to be sought, as detailed on page 92 of this report, bearing in mind the promotion of gender diversity and an age mix on the Board. As at the approval of this report, the Board comprised of eight (8) directors, three (3) of which are women. As per the banking regulations, two thirds of the Board are to be independent and as at the date of this report, independence on the Board was at 74%. Details on the profiles of the Board are on pages 86 to 87 of this report and the Board is satisfied that it has discharged its responsibilities effectively over the period.
Principle 8: The governing body should ensure that its delegation arrangements within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.	Applied	Details on the delegation arrangements as per the Board, Board Committees and Management is detailed on page 93 of this report. Furthermore, the reports of the key Management Committees and the Board Committees are on pages 93 and 103 respectively. These reports details the composition, key areas of focus during the reporting period as well as outlook. Post the conclusion of the recruitment exercise, the Board will strive to ensure that the Board Audit Committee membership is separate and independent from all other board committees and also establish a new Board Conduct and Compliance Committee.
Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members support continued improvement in its performance and effectiveness.	Applied	The Board is satisfied that the evaluation process improving the performance of the Board and details of the process and findings on the Board is on page 101 of this report. In November 2023, the Board finalised an action plan to address all noted areas of improvement as per the external evaluation exercise undertaken, which is tracked by the Board on a regular basis.

Appendix

King IV™ application

King IV™ Principle	Status	Sound governance practices
Principle 10: The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	Applied	In addition to the Board's delegated authority framework, the Board approves every senior management appointment and, through the Board HR Committee, ensures adequate succession is in place for senior management. The Board receives a report on senior management succession and development every quarter in order to ensure continuous monitoring of this key indicator. Over this period, the Board was adequately engaged and considered the appointments of the Corporate Banking Director and the appointment of some members of the CMC as substantive CMC members. The Board further reviewed some changes from a portfolio perspective at senior management level. The Board assessed the performance of the Finance Director (with the input from the Board Audit Committee) and the Managing Director, and remuneration thereof, as well as received a report from the Board HR Committee on the performance of the CMC.
Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Applied	The Board provides guidance to and oversight of, the management of compliance risk, remuneration, the enterprise-wide risk management, and the related lines of defense that support good governance practices. The Board actively monitors the control environment and adjusts risk appetite and growth objectives accordingly. Post the approval of the short-term plan and strategy in November 2022, the risk appetite statement was considered and approved by the Board in March 2023, duly aligned with the Bank's strategic objectives. Details of the key areas of focus from a risk perspective and outlook are detailed in the Board Risk Committee report on page 104 of this report.
Principle 12: The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.	Applied	The Board actively monitors technology as a key strategic enabler and on a quarterly basis, the Board receives an update on the execution of key technology initiatives through the reports from the Managing Director and Chief Operating Officer. Areas of future focus from a technology perspective is as indicated on page 98 of this report.
Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Applied	The Board recognises that sound corporate governance practices are vital for creating and sustaining shareholder value and ensuring that behaviour is ethical, legal and transparent thereby reducing the risk of value erosion. The Board is committed to continuous improvement in corporate governance principles, policies and practices, and does so by remaining abreast of evolving regulations and best practices. The Board sets the tone and leads the Bank ethically, effectively and responsibly and is satisfied that the manner of oversight supports the organisation being a good and ethical corporate citizen. Over the reporting period the Board continued to receive quarterly reports to assess the effectiveness of compliance management, including regulatory penalties. The Board drafted an implementation plan for the new guidelines, which was tracked on a quarterly basis.
Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Applied	The Board reviewed and thoroughly considered and exercised oversight on the critical decisions regarding remuneration, such as the salary mandate, bonus pool and executive remuneration. The 2023 remuneration report as indicated on page 107 was crafted in consideration of stakeholder feedback and demonstrates the Board's commitment to responsibilty, fairness, accountability and transparency. The report includes an overview of the main provisions of the remuneration policy and approach as well as an implementation report which contains details of all remuneration awarded to individual members of the Board as well as executive management.

Appendix

King IV™ application

King IV™ Principle	Status	Sound governance practices
Principle 15: The governing body should ensure that assurance services and functions create an effective control environment and support the integrity of information for internal decision-making and external reporting purposes.	Applied	To enable an effective control environment, the Board continued to exercise oversight and requisite risk management through an Enterprise Risk Management Framework, ensuring: • Risk appetite set and monitored • Combined assurance approach • Solvency, liquidity and going concern status regularly tested • Capital allocation deliberated and executed • Liquidity and funding tested and stressed Furthermore, in September 2023, the Board reviewed and approved a refreshed Enterprise Risk Management Framework, Risk Appetite Framework, Capital Risk Policy and Liquidity Risk Policy.
Principle 16: In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Applied	The Board continuously assesses stakeholder feedback in an effort to improve its governance roles and responsibilities. During the Annual General Meeting, the Board met with, considered and deliberated various stakeholder feedback on several expectations, which are incorporated throughout this report. Focus areas over the last year was improving disclosures on ESG metrics and detailing governance focus areas, which are on page 97 to 98 of this report.

Absa Bank Botswana Limited Consolidated and Separate Financial Statements for the year ended 31 December 2023

Page

General Information

Country of incorporation and domicile	Botswana
Nature of business and principal activities	Absa Bank Botswana Limited ("the Bank") is a public limited company listed on the Botswana Stock Exchange and domiciled in Botswana. The annual financial statements of the Group comprise of the Bank 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. The Bank offers a range of retail banking, business banking, corporate and investment banking, and wealth management solutions. Absa Securities Botswana provides investments advisory and market making licenses such as debt capital markets, equity capital markets and mergers and acquisitions.
Directors	Cosmas Moapare Sari Helena Nikka Benjamin Monaheng Kodisang Sethunya Dorothy Makepe-Garebatho Kgotlayarona Ramaphane Keabetswe Pheko-Moshagane Cynthia Morapedi (Resigned 14 May 2024) Thabo Kagiso Matthews Saviour Mwepu Chibiya Daniel Neo Moroka (Resigned 31 October 2023)
Registered office	Plot 2482b, Tshekedi Crescent Extension 9, Gaborone Botswana
Business address	5th Floor, Building 4, Prime Plaza Plot 74358, Central Business District Gaborone
Postal address	P O Box 478 Gaborone Botswana
Holding company	Absa Group Limited incorporated in South Africa
Auditors	KPMG Fairgrounds Office Park Plot 67977, Off Tlokweng Road PO Box 1519, Gaborone
Secretary	Yonta Leburu
Company registration numbers	Absa Bank Botswana Limited BW00001237900 Absa Insurance Services Proprietary Limited BW00001179345 Absa Securities Botswana Proprietary Limited BW00002543818
Date of incorporation	17 March 1975

Directors' responsibilities and approval

The directors are responsible for overseeing the preparation, integrity and objectivity of the annual financial statements that fairly present the state of the affairs of Absa Bank Botswana Limited and its subsidiaries Absa Insurance Services (Pty) Limited and Absa Securities Botswana (Pty) Limited ("the Group") as at the end of the financial year and the net income and cash flows for the reporting period, and other information contained in this report.

To enable the directors to meet these responsibilities:

- All directors will endeavor to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach.
- The Board sets standards and management implements systems of internal control and accounting information systems aimed at providing reasonable assurance that both on and off statement of financial position assets are safeguarded, and the risk of error, fraud or loss is reduced in a cost-effective manner. These controls, contained in established policies and procedures, include the proper delegation of responsibilities and authorities within a clearly defined framework, effective accounting procedures and adequate segregation of duties.
- The Board and management identify all key areas of risk across the Group and endeavor to mitigate or minimise these risks by ensuring that appropriate infrastructure, controls, systems and discipline are applied and managed within predetermined procedures and constraints; and
- The internal audit function operates unimpeded and independently from operational management, appraises, evaluates and, when necessary, recommends improvements to the systems of internal control and accounting practices, based on audit plans that take cognisance of the relative degrees of risk of each function or aspect of the business.

To the best of their knowledge and belief, based on the above, the directors are satisfied that there has been no material break-down in the operation of the systems of internal control and procedures during the year under review.

The Group consistently adopts appropriate and recognised accounting policies which are supported by reasonable and prudent judgements and estimates on a consistent basis. The annual financial statements of the Group have been prepared in accordance with the provisions of the Companies Act of Botswana (Companies Act, 2003); the Banking Act (CAP 46; 04); comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS® Accounting Standards) and all applicable legislation.

The directors have reviewed the group's cash flow forecast for the year to 31 December 2024 and, in light of this review and the current financial position, they are satisfied that the group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the group's consolidated and separate financial statements. The consolidated and separate financial statements have been examined by the group's external auditors and their report is presented on pages 122 to 127

The consolidated and separate financial statements set out on page 128, which have been prepared on the going concern basis, were approved by the board of directors on 20 March 2024 and were signed on their behalf by:

Approval of financial statements

Cosmas Moapare

Keabetswe Pheko-Moshagane

Corporate Governance report

The Absa Group Limited (Absa Group) adopted a governance framework for all subsidiaries including Absa Bank Botswana Limited (the Group) as set out in the Absa Group Limited Group Policy on Legal Entities and Directors (the Code). The Board of the Group adopted the Absa Group Policy on Legal Entities and Directors.

The directors of the Group are of the opinion that the Group has applied the principles and recommendations of the Code, in all material respects, regarding the period under review.

1. Board of directors

The Board consists of:
a) 6 Independent non-executive directors
b) 1 non-executive director
c) 2 Executive directors

2. Company secretary
All directors have access to the advice and services of the company secretary, who provides guidance to the Board as a whole and to individual directors regarding how their responsibilities should be discharged in the best interest of the Group.

3. Audit committee
The Board has concluded that the audit committee has satisfied its responsibilities.

4. Internal audit
The internal audit function is conducted by the local internal audit function with oversight from Absa group internal audit.

5. Remuneration policy
The Group has adopted the Absa Group Limited Human Resources policies. The executive directors of the Group are full time employees of the Group and therefore earn no directors' fees for their services as directors.

6. Risk management
The Group manages the risk of the business in partnership with Absa Group Limited. Risk policies, standards, and strategies are jointly created between the two parties with execution managed by the local Risk team, country management team, and Board of directors.

7. Integrated sustainability reporting and disclosure
The results of the Group are consolidated into the Absa Group Limited financial results which address sustainability at a group level.

8. Managing stakeholder relationships
As a subsidiary, the Group is governed by the stakeholder management of Absa Group Limited.

9. Fundamental and affected transactions
Directors are requested to declare their directorships in other organisations, at least, on a quarterly basis. The Group has appropriate policies and procedures to govern any potential conflict of interest, in instances where the Group does conduct business with entities in which its directors have an interest.

10. Information technology governance
Information Technology governance is performed in terms of the Absa Group Limited Information Technology Policy.

11. Compliance
The Group has a Compliance Officer that monitors compliance with the applicable legislation. The Compliance Officer forms part of the Group Compliance function.

Directors' report

The directors have pleasure in submitting their report on the consolidated and separate financial statements of Absa Bank Botswana Limited and the group for the year ended 31 December 2023.

1. Review of financial results and activities

The consolidated and separate financial results of Absa Bank Botswana Limited are set out in the attached consolidated and separate financial statements.

The Directors have concluded that there are no material uncertainties that could have cast significant doubt over the Group's ability to continue as a going concern for at least a year from the date of approval of the financial results.

Key performance indicators

	Group		Company	
	2023 P'000	2022* P'000	2023 P'000	2022* P'000
Profit for the year	624 570	658 879	613 025	642 977
Total comprehensive income	644 520	654 411	632 976	638 509
Dividends declared and paid:				
• Dividends paid	342 000	236 000	342 000	236 000
• Interim dividend paid	123 000	103 000	123 000	103 000
• Dividend declared subsequent to the year end	375 000	342 000	375 000	342 000
Net assets	3 036 163	2 851 407	2 949 353	2 776 142

*Refer note 54 for restated amounts.

2. Stated capital

There have been no changes to the authorised or issued share capital during the year under review. The stated capital is disclosed in note 35.

3. Directorate

The directors in office at the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
Cosmas Moapare	Chairperson	Non-executive Independent	Botswana	Appointed Wednesday, 01 November 2023
Sari Helena Nikka	Other	Non-executive Independent	Finland	
Benjamin Monaheng Kodisang	Other	Non-executive Independent	South Africa	Appointed Wednesday, 01 November 2023
Sethunya Dorothy Makepe-Garebatho	Other	Non-executive Independent	Botswana	
Kgotlayarona Ramaphane	Other	Non-executive Independent	Botswana Botswana	Appointed Wednesday, 01 November 2023
Keabetswe Pheko-Moshagane	Chief Executive Officer	Executive		
Cynthia Morapedi	Finance Director	Executive	Botswana	
Thabo Kagiso Matthews	Other	Non-executive Independent	Botswana	
Saviour Mwepu Chibiya	Other	Non-executive	Zambia	
Daniel Neo Moroka	Chairperson	Non-executive Independent	Botswana	Resigned Tuesday, 31 October 2023

Directors' report (continued)

3. Directorate (Continued)

Resignations

Directors	Cause of change	Office	Designation	Date
Daniel Neo Moroka	Resignation	Board Chairman	Non-executive Independent	31 October 2023

Change of directorate

Directors	Office	Designation	Date
Cosmas Moapare (Interim Board Chairman)*	Chairperson	Non-executive Independent	01 November 2023
Benjamin Monaheng Kodisang*	Other	Executive	01 November 2023
Kgotlayarona Ramaphane (Interim Lead Independent Non-executive Director)*	Other	Non-executive Independent	01 November 2023

*With effect from 1 November 2023, Mr Cosmas Moapare was appointed as the Interim Board Chairman and stepped down as the Lead Independent Director and Board Audit Committee Chairman. Mr Kgotlayarona Ramaphane subsequently stepped into the role of Interim Lead Independent Non-Executive Director while Mr Benjamin Monaheng Kodisang was appointed as the Interim Board Audit Committee Chairman, also with effect from 1 November 2023.

4. Property, plant and equipment

Details of changes in property, plant and equipment during the year are reflected in note 24.

5. Events after the reporting period

A final dividend of P375million was declared on the 20th of March 2024 subject to regulatory approval. There were no other material events to the understanding of these financial statements that occurred between the financial year end and the date of this report.

6. Going concern

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Independent Auditor's report

KPMG, Chartered Accountants
Audit
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Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
Telephone +267 391 2400
Fax +267 397 5281
Web http://www.kpmg.com/

Independent Auditor's Report

To the shareholders of Absa Bank Botswana Limited

Opinion

We have audited the consolidated and separate financial statements of Absa Bank Botswana Limited (the Group and Company) which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, material accounting policies and notes to the consolidated and separate financial statements set out on pages 127 to 191.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Absa Bank Botswana Limited as at 31 December 2023, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) ,and the requirements of the Companies Act of Botswana (Companies Act, 2003) and the Banking Act (Cap 46:04).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Partners: G Motsamai JA Venter*
*South African

VAT Number: P00043683854

Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets

- Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling
- Note 8 - Expected credit losses
- Note 21 - Loans and advances to customers
- Note 22 – Credit risk reconciliation

Key audit matter	How the matter was addressed in our audit
The Group's and Company's loans and advances to customers and related ECL are material to the consolidated and separate financial statements. We identified the impairment of loans and advances to customers as a key audit matter considering the high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers. In particular, we focused on the following areas of significant judgement and estimation which required the use of specialists, additional audit effort and increased discussions with management during the course of the audit: **Modelled ECL** • A significant portion of the ECL is calculated on a modelled basis which	Making use of our internal quantitative and economic experts, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances to customers, as set out below. In addition, we tested the relevant management controls over model data integrity and tested the completeness and accuracy of model data inputs over the model data inputs, where considered material to the models. • We have assessed the design and implementation of the controls relating

Independent Auditor's report

KPMG

Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets
- Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling
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- Note 22 – Credit risk reconciliation

Key audit matter	How the matter was addressed in our audit
incorporates observable data, assumptions and estimations. The development and execution of these models requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters.	to ECL models, including assessing the significant assumptions applied with reference to the requirements of IFRS 9, Financial Instruments (IFRS 9) expected credit loss methodology.
• Significant increases in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment incorporates judgement and estimation by management.	• We have tested the operating effectiveness of management's ECL modelling controls which support the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the models. • Our quantitative experts have reperformed the model calculations using assumptions as per the model documentation, and independently reperformed PD, EAD and LGD parameters, to test the accuracy of the ECL calculations.

KPMG

Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets
- Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling
- Note 8 - Expected credit losses
- Note 21 - Loans and advances to customers
- Note 22 – Credit risk reconciliation

Key audit matter	How the matter was addressed in our audit
	• We have assessed the appropriateness of the significant increases in credit risk (SICR) methodologies and calibrations of the models by testing the stage allocations including the SICR for a sample of portfolios and individual exposures. The reperformed ECL numbers have been compared to the Group's and Company's ECL numbers per stage and per portfolio.
Estimation and incorporation of multiple forward-looking macro-economic scenarios • The macro-economic scenarios forecasts are developed by Absa Group Limited's economics team and involve significant judgement. Given the uncertain macro-economic environment, both locally and internationally, there is complexity in incorporating these scenario forecasts, forward looking information and probability weightings into the	• We have tested the design and implementation of controls over the approval of updated macro-economic forecasts and related ECL impacts. • We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data.

Independent Auditor's report

KPMG

Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets

- Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling
- Note 8 - Expected credit losses
- Note 21 - Loans and advances to customers
- Note 22 – Credit risk reconciliation

Key audit matter	How the matter was addressed in our audit
estimation of ECL. • Management adjustments are applied to ECL model outputs where the existing models do not fully incorporate macro-economic factors which impact on the ECL. • Determining the key macro-economic drivers which included interest rates, inflation rate and gross domestic product of credit risk including the relative importance/weighting of each identified factor requires judgement and estimation by management.	• We have tested the design and implementation and operating effectiveness of controls over the application of the macro-economic analytical models and sensitivity approaches adopted by management. • We performed independent ECL quantification analyses on economic forecasts, considering third party and our own data, to assess the reasonability of the macro-economic management adjustments. • We reperformed management adjustments, challenged the appropriateness of the assumptions and inputs used and have assessed management's governance processes over the management adjustments. • We have assessed management's rationale for the macro-economic variable (MEV) adjustments and evaluated them against our

KPMG

Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets

- Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling
- Note 8 - Expected credit losses
- Note 21 - Loans and advances to customers
- Note 22 – Credit risk reconciliation

Key audit matter	How the matter was addressed in our audit
	understanding of the factors used based on independent data. • Where there is a range of uncertain potential outcomes, we have considered a range of possible outcomes, formed an independent view using independent data and compared to that of management and discussed the differences.
Stage 3 ECL provisions assessed on an individual basis • A significant portion of loans and advances to customers are assessed for recoverability on an individual basis, primarily in the corporate, investment banking and business banking portfolios which requires specific audit effort. Significant judgements, estimates and assumptions are applied by management to: ○ Determine if the financial asset is credit impaired;	• We gained an understanding of management's processes over judgements used to determine whether specific exposures are credit impaired and tested the design and implementation and operating effectiveness of controls over the judgements applied. • Our procedures focused on assessing the reasonability of the estimate of the amount and timing of expected future

Independent Auditor's report

Impairment of loans and advances to customers The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes: - Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets • Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling • Note 8 - Expected credit losses • Note 21 - Loans and advances to customers • Note 22 – Credit risk reconciliation	
Key audit matter	How the matter was addressed in our audit
○ Evaluate the valuation and recoverability of collateral; ○ Determine the expected future cash flows to be collected; and ○ Estimate the timing of the future cash flows.	cash flows used in measuring ECL. We have performed the following for a sample of stage 3 exposures: ○ Where exposures are collateralized, we tested the Company's legal right to the collateral by inspecting legal agreements and bond registration information, as well as the reasonability of the valuation of the collateral by evaluating key assumptions against available market and internal information. We also assessed the reasonableness of the timing of the cash flows with reference to the relevant underlying collateral. ○ Where management has utilised specialists to value the collateral, we have assessed the competence and objectivity of those specialists.

Impairment of loans and advances to customers The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes: - Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets • Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling • Note 8 - Expected credit losses • Note 21 - Loans and advances to customers • Note 22 – Credit risk reconciliation	
Key audit matter	How the matter was addressed in our audit
Disclosures related to IFRS 7, Financial instruments disclosures (IFRS 7) and credit risk IFRS 7 and credit risk disclosures are significant as they rely on material data inputs and explain the management judgement, estimates and assumptions used in determining the ECL, including management adjustments and sensitivity analyses.	We evaluated whether the disclosures are consistent with the ECL information tested which included the ECL data, models, estimates, management adjustments and macroeconomic forecasts.

Emphasis of matter - comparative information

We draw attention to note 54 to the consolidated and separate financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2022 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The consolidated and separate financial statements of the Group and Company as at and for the years ended 31 December 2022 and 31 December 2021 (from which the statement of financial position as at 1 January 2022 has been derived), excluding the adjustments described in note 54 to the consolidated and separate financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2023.

Independent Auditor's report

As part of our audit of the consolidated and separate financial statements as at and for the year then ended 31 December 2023, we audited the adjustments described in note 54 that were applied to restate the comparative information presented as at and for the year then ended 31 December 2022 and the statement of financial position as at 1 January 2022.

We were not engaged to audit, review, or apply any procedures to the consolidated and separate financial statements for the years ended 31 December 2022 or 31 December 2021 (not presented herein) or to the statement of financial position as at 1 January 2022, other than with respect to the adjustments described in note 54 to the consolidated and separate financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in note 54 are appropriate and have been properly applied.

Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors' Responsibilities and Approval, Corporate Governance Report and Directors' Report but does not include the consolidated and separate financial statements and our auditor's report thereon which we obtained prior to the date of this auditor's report and the Integrated Report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the requirements of the Companies Act of Botswana (Cap 42:01) and the Banking Act (Cap 46:04), and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the

Independent Auditor's report

KPMG

consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG

KPMG
Certified Auditors
Practicing Member: Adele Venter
Certified Auditor of Public Interest Entity
BAOA Certificate Number (CAP 0040 2023)

28 March 2024
Gaborone

Consolidated and separate statements of profit or loss and other comprehensive income

For the year ended 31 December 2023

		Group		Company	
Figures in Pula thousand	Note(s)	2023	2022 Restated *	2023	2022 Restated *
Effective interest income	3	2 034 539	1 628 059	2 034 539	1 628 059
Effective interest expense	4	(634 105)	(441 302)	(634 105)	(441 302)
Net interest income		**1 400 434**	**1 186 757**	**1 400 434**	**1 186 757**
Fee and commission income*	5	576 603	513 978	521 616	463 602
Fee and commission expense*	5	(99 737)	(63 767)	(96 666)	(62 248)
Net fee and commission income		**476 866**	**450 211**	**424 950**	**401 354**
Net trading income	6	216 633	213 580	216 633	213 580
Other income*	7	21 563	7 485	53 512	36 008
Total income		**2 115 496**	**1 858 033**	**2 095 529**	**1 837 699**
Expected credit losses	8	(76 560)	(10 422)	(76 560)	(10 422)
Net operating income		**2 038 936**	**1 847 611**	**2 018 969**	**1 827 277**
Staff costs*	9	(633 862)	(485 974)	(632 981)	(485 974)
Infrastructure costs	10	(183 133)	(163 210)	(183 133)	(163 210)
Administration and general expenses*	11	(391 300)	(335 734)	(388 608)	(333 302)
Operating expenses		**(1 208 295)**	**(984 918)**	**(1 204 722)**	**(982 486)**
Profit before taxation		830 641	862 693	814 247	844 791
Taxation*	12	(206 071)	(203 814)	(201 222)	(201 814)
Profit for the year		**624 570**	**658 879**	**613 025**	**642 977**
Other comprehensive income:					
Items that may be reclassified to profit or loss:					
Gains (losses) on Fair value arising during the reporting period		25 578	(5 728)	25 578	(5 728)
Deferred tax		(5 628)	1 260	(5 627)	1 260
Total items that may be reclassified to profit or loss		**19 950**	**(4 468)**	**19 951**	**(4 468)**
Other comprehensive income for the year net of taxation		**19 950**	**(4 468)**	**19 951**	**(4 468)**
Total comprehensive income for the year		**644 520**	**654 411**	**632 976**	**638 509**
Earnings per share*					
Per share information					
Basic and diluted earnings per share (t)	**13**	**73.29**	**77.32**	**-**	**-**

*The accompanying notes form an integral part of these consolidated and separate financial statements. The financial statements were restated. Refer to note 54

Consolidated and separate statements of financial position
As at 31 december 2023

Figures in Pula thousand	Note(s)	Group 2023	Group 2022 Restated *	Group 2021 Restated *	Company 2023	Company 2022 Restated *	Company 2021 Restated *
Assets							
Cash	14	753 276	668 813	640 880	753 276	668 813	640 880
Balances at central bank	15	1 147 632	70 604	515 501	1 147 632	70 604	515 501
Trading portfolio assets	16	191 177	80 791	84 361	191 177	80 791	84 361
Derivative financial instruments	17	103 452	129 992	27 981	103 452	129 992	27 981
Financial assets at fair value through OCI	18	2 464 895	2 491 369	1 968 408	2 464 895	2 491 369	1 968 408
Loans and advances to banks*	19	763 847	1 519 124	1 183 465	763 847	1 519 124	1 183 465
Due from related parties	20	2 025 897	896 035	1 698 453	2 051 200	922 598	1 726 432
Loans and advances to customers*	21	16 568 060	16 345 752	14 923 414	16 568 060	16 345 752	14 923 414
Other receivables*	23	280 715	185 244	102 256	279 383	180 875	101 425
Property plant and equipment	24	188 763	209 497	246 142	188 763	209 497	246 142
Intangible assets	25	485	1 161	2 273	485	1 161	2 273
Deferred tax assets*	26	106 779	104 132	100 055	105 509	102 328	97 589
Taxation refundable*	27	9 766	14 900	1 445	9 787	11 026	-
Investments in subsidiaries	53	-	-	-	-	-	-
		24 604 744	**22 717 414**	**21 494 634**	**24 627 466**	**22 733 930**	**21 517 871**
Equity and Liabilities							
Liabilities							
Deposits from banks	28	427 521	902 902	793 730	427 521	902 902	793 730
Due to related parties	20	503 487	197 642	317 530	626 310	301 889	412 079
Customer deposits	29	18 699 798	17 004 832	16 399 553	18 699 798	17 004 832	16 399 553
Derivative financial instruments	17	96 040	115 113	43 151	96 040	115 113	43 151
Other payables*	30	473 656	422 785	425 139	470 190	418 521	424 398
Provisions	32	112 974	23 930	32 128	107 200	15 728	20 920
Current tax payable*	27	4 051	-	16 585	-	-	16 585
Debt securities in issue	33	625 567	585 827	341 078	625 567	585 827	341 078
Subordinated debt	**34**	**625 487**	**612 976**	**593 443**	**625 487**	**612 976**	**593 443**
		21 568 581	**19 866 007**	**18 962 337**	**21 678 113**	**19 957 788**	**19 044 937**
Shareholders' equity							
Stated capital	35	17 108	17 108	17 108	17 108	17 108	17 108
General risk reserve	36	126 989	126 864	133 842	118 347	118 347	118 347
Fair value reserve*	36	(7 404)	(27 354)	(22 887)	(7 404)	(27 354)	(22 887)
Share based payment reserve	36	12 563	7 327	3 629	12 563	7 327	3 629
Share capital reserve	36	2 060	2 060	2 060	2 060	2 060	2 060
Retained income*	36	2 884 847	2 725 402	2 398 545	2 806 679	2 658 654	2 354 677
Total equity attributable to equity holders		**3 036 163**	**2 851 407**	**2 532 297**	**2 949 353**	**2 776 142**	**2 472 934**
Total Equity and Liabilities		**24 604 744**	**22 717 414**	**21 494 634**	**24 627 466**	**22 733 930**	**21 517 871**

*The accompanying notes form an integral part of these consolidated and separate financial statements. The financial statements were restated. Refer to note 54

Consolidated and separate statements of changes in equity

For the year ended 31 December 2023

Figures in Pula thousand	Stated capital	Share based payment reserve	Share capital reserve	Fair value reserve	General risk reserve	Total reserves	Retained income*	Total equity
Group								
Opening balance as previously reported	17 108	3 629	2 060	(22 306)	133 842	117 225	2 435 073	2 569 406
Prior period error*	-	-	-	(581)	-	(581)	(36 528)	(37 109)
Restated* Balance at 01 January 2022 as restated	**17 108**	**3 629**	**2 060**	**(22 887)**	**133 842**	**116 644**	**2 398 545**	**2 532 297**
Profit for the year	-	-	-	-	-	-	658 879	658 879
Other comprehensive income	-	-	-	(4 467)	-	(4 467)	-	(4 467)
Total comprehensive income for the year	**-**	**-**	**-**	**(4 467)**	**-**	**(4 467)**	**658 879**	**654 412**
Transfer	-	-	-	-	(6 978)	(6 978)	6 978	-
Recognition of share based payment	-	3 698	-	-	-	3 698	-	3 698
Dividends paid	-	-	-	-	-	-	(339 000)	(339 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**3 698**	**-**	**-**	**(6 978)**	**(3 280)**	**(332 022)**	**(335 302)**
Restated Balance at 31 December 2022*	**17 108**	**7 327**	**2 060**	**(27 354)**	**126 864**	**108 897**	**2 725 402**	**2 851 407**

Consolidated and separate statements of changes in equity (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Stated capital	Share based payment reserve	Share capital reserve	Fair value reserve	General risk reserve	Total reserves	Retained income*	Total equity
Balance at 01 January 2023	**17 108**	**7 327**	**2 060**	**(27 354)**	**126 864**	**108 897**	**2 725 402**	**2 851 407**
Profit for the year	-	-	-	-	-	-	624 570	624 570
Other comprehensive income	-	-	-	19 950	-	19 950	-	19 950
Total comprehensive income for the year	**-**	**-**	**-**	**19 950**	**-**	**19 950**	**624 570**	**644 520**
Transfer	-	-	-	-	125	125	(125)	-
Recognition of share based payment	-	5 236	-	-	-	5 236	-	5 236
Dividends paid	-	-	-	-	-	-	(465 000)	(465 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**5 236**	**-**	**-**	**125**	**5 361**	**(465 125)**	**(459 764)**
Balance at 31 December 2023	**17 108**	**12 563**	**2 060**	**(7 404)**	**126 989**	**134 208**	**2 884 847**	**3 036 163**
Note(s)	35							

Dividend paid per share for the year is 55 Thebe (2022:40 Thebe). Proposed dividend per share for the year is 44 Thebe (2022:40 Thebe)

Consolidated and separate statements of changes in equity (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Stated capital	Share based payment reserve	Share capital reserve	Fair value reserve	General risk reserve	Total reserves	Retained income*	Total equity
Company								
Opening balance as previously reported	17 108	3 629	2 060	(22 306)	118 347	101 730	2 391 205	2 510 043
Prior period error*	-	-	-	(581)	-	(581)	(36 528)	(37 109)
Restated Balance at 01 January 2022 as restated*	**17 108**	**3 629**	**2 060**	**(22 887)**	**118 347**	**101 149**	**2 354 677**	**2 472 934**
Profit for the year	-	-	-	-	-	-	642 977	642 977
Other comprehensive income	-	-	-	(4 467)	-	(4 467)	-	(4 467)
Total comprehensive income for the year	**-**	**-**	**-**	**(4 467)**	**-**	**(4 467)**	**642 977**	**638 510**
Recognition of share based payment	-	3 698	-	-	-	3 698	-	3 698
Dividends paid	-	-	-	-	-	-	(339 000)	(339 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**3 698**	**-**	**-**	**-**	**3 698**	**(339 000)**	**(335 302)**
Restated Balance at 31 December 2022*	**17 108**	**7 327**	**2 060**	**(27 354)**	**118 347**	**100 380**	**2 658 654**	**2 776 142**

Consolidated and separate statements of changes in equity (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Stated capital	Share based payment reserve	Share capital reserve	Fair value reserve	General risk reserve	Total reserves	Retained income*	Total equity
Balance at 01 January 2023	**17 108**	**7 327**	**2 060**	**(27 354)**	**118 347**	**100 380**	**2 658 654**	**2 776 142**
Profit for the year	-	-	-	-	-	-	613 025	613 025
Other comprehensive income	-	-	-	19 950	-	19 950	-	19 950
Total comprehensive income for the year	**-**	**-**	**-**	**19 950**	**-**	**19 950**	**613 025**	**632 975**
Recognition of share based payment	-	5 236	-	-	-	5 236	-	5 236
Dividends paid	-	-	-	-	-	-	(465 000)	(465 000)
Total contributions by and distributions to owners of company recognised directly in equity	**-**	**5 236**	**-**	**-**	**-**	**5 236**	**(465 000)**	**(459 764)**
Balance at 31 December 2023	**17 108**	**12 563**	**2 060**	**(7 404)**	**118 347**	**125 566**	**2 806 679**	**2 949 353**
Note(s)	35							

*The accompanying notes form an integral part of these consolidated and separate financial statements. The financial statements were restated. Refer to note 54.

Consolidated and separate statements of cash flows

For the year ended 31 December 2023

		Group		Company	
Figures in Pula thousand	Note(s)	2023	2022 Restated *	2023	2022 Restated *
Cash flows from operating activities					
Cash used in operations	37	(19 880)	(367 130)	(25 215)	(382 013)
Net increase in loans and advances to customers*		(287 573)	(1 466 178)	(287 573)	(1 466 178)
Interest received	38	2 024 119	1 632 480	2 024 119	1 632 480
Interest paid	39	(622 844)	(437 960)	(622 844)	(437 960)
Tax paid	27	(213 768)	(240 537)	(209 693)	(236 769)
Increase in deposits due to customers		1 694 966	621 470	1 694 966	621 470
(Increase)/Decrease in amounts due from related parties		(32 785)	138 221	(31 525)	139 638
(Increase)/decrease in deposits due to other banks		(475 381)	109 172	(475 381)	109 172
(Decrease)/Increase in amounts due to related parties		-	(45 491)	-	(35 793)
Purchase of trading portfolio assets		(586 519)	(617 500)	(586 519)	(617 500)
Proceeds from disposal of trading portfolio assets		476 283	625 134	476 283	625 134
Decrease in derivative financial instruments		7 467	(30 049)	7 467	(30 049)
Net cash generated from operating activities*		**1 964 085**	**(78 368)**	**1 964 085**	**(78 368)**
Cash flows from investing activities					
Purchase of property plant and equipment	24	(54 674)	(16 888)	(54 674)	(16 888)
Proceeds from sale of property plant and equipment	24	7 697	568	7 697	568
Purchase of financial instruments held at FVOCI		(99 944)	(29 498)	(99 944)	(29 498)
Net cash used in investing activities		**(146 921)**	**(45 818)**	**(146 921)**	**(45 818)**
Cash flows from financing activities					
Dividends paid to shareholders	40	(465 000)	(339 000)	(465 000)	(339 000)
Issuance of debt securities	42	364 800	423 400	364 800	423 400
Redemption of debt securities	42	(323 810)	(178 651)	(323 810)	(178 651)
Capital payment of lease liabilities		(36 056)	(30 281)	(36 056)	(30 281)
Net cash used financing activities		**(460 066)**	**(124 532)**	**(460 066)**	**(124 532)**
Total cash movement for the year		**1 357 098**	**(248 718)**	**1 357 098**	**(248 718)**
Cash and cash equivalents at the beginning of the year*		4 346 476	4 595 272	4 346 476	4 595 272
Effect of foreign exchange movement on cash and cash equivalents**		(1 662)	(78)	(1 662)	(78)
Cash and cash equivalents at the end of the year	**41**	**5 701 912**	**4 346 476**	**5 701 912**	**4 346 476**

*The accompanying notes form an integral part of these consolidated and separate financial statements. The financial statements were restated. Refer to note 54.

**Movement in revaluation during the year mainly driven by the US Dollar cash position due to the US Dollar rate movement being higher in 2023 as compared to 2022.

Material accounting policies

For the year ended 31 December 2023

Corporate information

Absa Bank Botswana Limited is a public limited company incorporated and domiciled in Botswana. The consolidated and separate financial statements for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on .

1 Material accounting policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality Judgements, and only those accounting policies which are considered material have been presented in these consolidated and separate financial statements.

1.1 Basis of preparation

The consolidated and separate financial statements have been prepared on the going concern basis in accordance with, and in compliance with, IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS® Accounting Standards) and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations of the IASB, issued and effective at the time of preparing these consolidated and separate financial statements and the requirements of the Companies Act of Botswana (Companies Act 2003) ; the Botswana Banking Act (Cap 46:04) and all applicable legislation.
The Consolidated and separate financial statements of Absa Bank Botswana Limited were authorised for issuance by the board of directors on 20 March 2024 and are available for inspection at the Bank's registered office.

The consolidated and separate financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the material accounting policies set out below. They are presented in Pula, which is the group and company's functional and presentation currency. All amounts have been rounded to the nearest thousand unless otherwise stated.

These accounting policies are consistent with the previous period, unless otherwise stated.

1.2 Consolidation

Basis of consolidation

The consolidated and separate financial statements include those of the group comprising of Absa Bank Botswana Limited, Absa Insurance Services Proprietary Limited and Absa Securities Botswana Proprietary Limited.
Subsidiaries are all entities over which the group has control. The group controls and hence consolidates an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The group will only consider potential voting rights that are substantive when assessing whether it controls another entity. In order for the right to be substantive the holder must have the practical ability to exercise that right, and such rights must not be protective in nature.

Protective rights are designed at inception to protect the interests of the holder against future risks without giving that party participative power over the entity, and hence that party cannot at inception have power or prevent another party from having power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained by the group. They are deconsolidated from the date that control ceases.

Intragroup transactions and balances are eliminated on consolidation and consistent accounting policies are used throughout the group for the purposes of the consolidation. Changes in ownership interests in subsidiaries are accounted for as equity transactions if they occur after control has already been obtained and they do not result in loss of control.

Investments in subsidiaries

Subsidiaries are entities in which the Bank has at least 50% of the equity and control. Investments in subsidiaries are measured at cost less impairment.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements of the investor. The cost of these investments are assessed for impairment when there are indicators that an impairment may have occurred. Where an indicator of impairment exists, the recoverable amount of the investment is calculated and an impairment loss is recognised to the extent that the recoverable amount of the investment is less than its cost.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in an acquisition is generally measured at fair value, as are the identifiable net assets acquired. Acquisition related costs are generally expensed as incurred.

Material accounting policies (continued)

For the year ended 31 December 2023

1.2 Consolidation (continued)

At the acquisition date the identifiable assets acquired and the liabilities assumed are recognised at their fair value except for:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- acquired non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations at the acquisition date are measured in accordance with that Standard.

Non-controlling interests that present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination.

Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 Financial Instruments and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities recognised to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the measurement of the amounts recognised at that date.

1.3 Translation of foreign currencies

1.4 Revenue recognition

Net interest income

Interest revenue, which is calculated using the effective interest method are separately presented in the statement of comprehensive income. Effective interest on loans and advances at amortised cost and debt instruments at fair value through other comprehensive income as well as the interest expense on financial liabilities held at amortised cost are calculated using the effective interest rate method. This results in the recognition of interest and direct and incremental fees and costs over the expected lives of the assets and liabilities.

The effective interest method requires the Group to estimate future cash flows in some cases based on its experience of customers' behaviour considering all contractual terms of the financial instrument as well as the expected lives of the assets and liabilities. Due to the large number of products and types (both assets and liabilities) there are no individual estimates that are material to the results or financial position.

Material accounting policies (continued)

For the year ended 31 December 2023

1.4 Revenue recognition (continued)

Effective interest rate (EIR) method

The Group's EIR method recognised interest income using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans and deposits and recognised the effect of potentially different interest rates charged at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges). This estimation by nature requires an element of judgement regarding the expected behavior and life cycle of the instruments as well expected changes to Group's base rate and other fee income/expense that are integral parts of the instrument.

The Group's EIR (and therefore the amortised cost of the financial statements) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset as well as fees and costs that are an integral part of the EIR.

Revenue from contracts with customers
Revenue from contracts with customers is measured based on the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The company recognises the revenue from contracts with customers when it transfers control over to the customers.
Revenue from contracts with customers is presented in "fee and commission income".

The following is a description of the principal activities from which the Group generates its revenue from contracts with customers:

Fees and commission income

Credit-related fees and commissions
Banking fees such as bundled service fees, transactional fees and account management fees are recognised over the period over which the underlying service is provided to the customer. Transactional fees such as cash withdrawal fees, deposit fees, debit order fees etc. are recognised at the point in time of transactions with customers and payment is received monthly. The performance obligation on bundled services is satisfied on a monthly basis.

Insurance commissions
Income consists of commission received from insurance entities for selling insurance products to customers. The commission is recognised as revenue once all performance obligations have been satisfied and the commission is not at risk of being refunded. To the extent that commission is received and there is a potential clawback/refund, a refund liability is recognised for the expected commissions that may be repaid until all related conditions have been satisfied.

Commitment fees
Commitment fees are typically received by the company in return for loan commitments issued. For loan commitments where drawdown is probable, the fee will be recognised as deferred income on balance sheet and subsequently recognised as an adjustment to EIR on the loan upon drawdown. The remaining portion will continue to be deferred until further loan drawdown takes place or else be recognised as fee income when the loan commitment expires without being drawn.

Fees and commission expense
Fee and commission expenses are expenses which are direct and incremental to the generation of fee and commission income. Absa Bank Botswana Limited recognises the interchange income earned as card issuer in the income line; similarly, the interchange collected on behalf of the issuer in a payment's acceptance arrangement (where the Bank is the acquirer), nets off the commission received by the merchant for that card's processing.

1.5 Leases

The Group's leases consist mostly of property leases including branches head offices ATM sites and other administrative buildings. None of these leases are considered individually significant to the group. Leases are negotiated for an average term of three to five years although this differs depending on the jurisdiction and type of property. Some leases will include renewal options but these are generally renewals at market rates to be negotiated at the time of renewing the contract. These rates will only be included in the lease liability once it is reasonably certain that the group will exercise the extension option. Most leases in the Group have fixed escalations with a limited number of inflation linked leases.

Material accounting policies (continued)

For the year ended 31 December 2023

1.5 Leases (continued)

Group as lessee
Where the Group is a lessee a right-of-use asset and corresponding lease liability are recognised at commencement date. The right-of-use asset is initially and subsequently measured at cost less any accumulated depreciation straight-line basis and impairment recognised on a over the lease term. The right of use asset is included within property plant and equipment in the statement of financial position. The lease liability is initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease if readily determinable or the lessee's incremental borrowing rate. After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest thereon, and reducing the carrying amount to reflect lease payments made. Any reassessments and/or lease modifications will be reflected by re- measuring the carrying amount of the lease liability. Interest is recognised within net interest income and the lease liability is included within 'other payables' in the statement of financial position. Interest is recognised within net interest income and the lease liability is included within other payables in the statement of financial position.

The lease payments in relation to short term leases (leases with a lease term of 12 months or less at commencement date) and leases in which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

Group as lessor
Leases for which the group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. Lease classification is made at inception and is only reassessed if there is a lease modification.

Where the Group is the lessor and the lease is a finance lease the leased asset is not held on the statement of financial position; instead a finance lease receivable is recognised representing the minimum lease payments receivable under the terms of the lease discounted at the rate of interest implicit in the lease. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. The Group presents leased assets on the statement of financial position within property and equipment.

1.6 Employee benefits Staff costs

Short-term employee benefits including salaries, accrued performance costs, salary deductions and taxes are recognised over the reporting period in which the employees provide the services to which the payments relate. Performance costs are recognised to the extent that the Group has a present obligation to its employees that can be measured reliably are recognised on an undiscounted basis over the period of service that employees are required to work to qualify for the benefits.

Defined benefits and contribution schemes
In the past the Group operated a defined benefit pension plan for its employees ("the Fund"). The Group has since discontinued this Fund and currently there are no active employees within this Fund. The Board of Trustees of the Fund have obtained relevant regulatory approvals and have wound up the defined benefit Fund by converting the deferred members within this Fund to transfer relevant member credits to their new employers' pension plans or purchase annuities from other service providers in the market. This process was concluded by 31 May 2015.

Deferred defined benefits have been converted to defined contribution based on accrued benefits as at 31 May 2015. Annuities with respect to deferred pensioners have been purchased with effect from 31 May 2015. Consequently, settlement accounting treatment was adopted in 2015 disclosures and thus no defined benefit obligation remains in respect of the defined benefit deferred members.

In 2016 a contractual agreement was signed between the Fund and the insurer which specifies that the obligation in respect of the pensioners has transferred to the insurer. In the past the annual pension increase declared by the Board of Trustees of the Fund was closely aligned to the prevailing inflation and was higher than the 2.5% as prescribed by the Fund rules. At the time of sourcing annuities this was recognised. The fair value of Insurance Policy is aligned to the defined benefit obligation and any change in fair value of this plan asset was considered to arise from remeasurement and accounted within other comprehensive income. The remaining surplus is not available to the Group and is treated as a reduction in asset ceiling and is accounted as such.

The Group recognises contributions due to defined contribution plans as an expense as and when the services are rendered by employees that entitle them to such contributions. Any contributions unpaid at the reporting date are therefore included as a liability.

Material accounting policies (continued)

For the year ended 31 December 2023

1.6 Employee benefits Staff costs (continued)

Defined benefit plans
The cost of providing the benefits is determined using the projected unit credit method. Actuarial valuations are conducted on an annual basis by independent actuaries.

Remeasurements comprising actuarial gains and losses, the effect of the asset ceiling and return on plan assets (excluding interest) are recognised immediately to the statement of financial position and to other comprehensive income in the period they occur. The amount recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Current service costs are recognised are recognised as an expense in the period in which the related services are performed. Net interest income or expense are recognised in investment income and finance costs respectively.

Valuation of the retirement benefit plan
The Group treats any change in the fair value of plan assets in the form of a qualifying insurance policy due to plan amendments as change due to remeasurements and any resultant gains or losses are transferred to other comprehensive income ('OCI'). The valuations and contributions towards the defined benefit plans were determined using actuarial valuations.

The actuarial valuations involved in making assumption about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Any changes in these assumptions impacted the carrying amount of pension obligations.

In 2015 the Group took out a pension policy with an independent insurer to assume the payments in respect of the current defined benefit pensioners. This resulted in a change in the fair value of plan assets. Management treated this as a remeasurement with the movement being recognised in line with the requirements of IAS 19 Employee Benefits.

1.7 Share-based payments

The Group operates equity-settled and cash-settled share- based payment plans.

Absa Group Limited operates a number of share schemes across multiple subsidiaries within the Absa Group. An individual subsidiary within the Absa Group that receives services as part of a share-based payment arrangement that is equity-settled, from the perspective of the Absa Group, accounts for that award as equity-settled in its separate financial statements only when:

- The awards granted are settled with the subsidiary's own equity instruments; or
- The entity has no obligation to settle the share-based payment transaction.

Where these criteria are not met, the award is cash settled in the separate financial statements of the subsidiary.
In terms of the rules of the share-based payment schemes currently in effect within Group, there are cash-settled and equity settled schemes (explained further in note 48). Schemes where Absa Group Limited has the ultimate obligation to settle the deferred awards, and is accordingly considered to be the grantor of the awards under IFRS 2, are accounted for as equity-settled share-based payment arrangements. Schemes where the awards granted are settled in cash are accounted for as cash-settled share-based payment arrangements.

Employee services settled in equity instruments
The cost of the employee services received in respect of the shares or share options granted is recognised in profit or loss over the period that employees provide services, generally the period from which the award is granted (or the employee notified) to the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant

The number of shares and options expected to vest takes into account the likelihood that performance and service conditions included in the terms of the awards will be met. Failure to meet the non-vesting condition is treated as a cancellation, resulting in an acceleration of recognition of the cost of the employee services. This is only if the employee or entity can choose whether to meet the non-vesting condition or not.

Material accounting policies (continued)

For the year ended 31 December 2023

1.7 Share-based payments (continued)

The fair value of shares is the market price ruling on the grant date, in some cases adjusted to reflect restrictions on transferability. The fair value of options granted is determined using option pricing models to estimate the numbers of shares likely to vest. These take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the share price over the life of the option and other relevant factors. Market conditions that must be met in order for the award to vest are also reflected in the fair value of the award, as are any other non-vesting conditions.

The accounting treatment under IFRS 2, as determined to be required in the separate financial statements of the Group, applies regardless of any intra-group recharge arrangements that might be in place. Any recharge arrangements are accounted for separately from the share- based payment as an adjustment to the increase in equity recognised in respect of the share-based payment (as described above).

Employee services settled in cash
The fair value of the amount payable to employees in terms of a cash- settled share-based payment is recognised as an expense, with a corresponding increase in liabilities, over the vesting period. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as staff costs in profit or loss. No amount is recognised for services received if the awards granted do not vest because of a failure to satisfy a vesting condition. (Refer to note 30 for the carrying amount of liabilities arising from cash-settled arrangements).

1.8 Taxation

Income tax expense represents the tax payable on the current period's taxable income adjusted by changes in deferred tax assets and liabilities.

Current taxation
Income tax payable on taxable profits ("current taxation") is recognised as an expense in the reporting period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as a current tax asset only to the extent that it is regarded as recoverable by offset against taxable profits arising in the current or prior reporting period. Current tax is measured using tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred taxation
Deferred tax is provided in full using the liability method on temporary differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated annual financial statements. Deferred tax is determined using tax rates and legislation enacted or substantively enacted by the reporting date which are expected to apply when the deferred tax asset is recognised or the deferred tax liability is settled.

Deferred tax assets and liabilities are only offset when there is both a legal right to set-off and an intention to settle on a net basis.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Current and deferred tax
Current and deferred tax are recognised in profit or loss except when they relate to items that are recognised in other comprehensive income or directly in equity in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination the tax effect is included in the accounting for the business combination.

Withholding taxation
Dividends are taxed at 10% or other applicable rates as prescribed by double tax agreements in place in the hands of the recipients of the dividends.

Material accounting policies (continued)

For the year ended 31 December 2023

1.8 Taxation (contiunued)

Value added taxation
Revenues expenses and assets are recognised net of the amount of VAT except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority in which case the VAT is recognised as part of the asset; and
- receivables and payables that are stated with the amount of VAT included.

Non-recoverable VAT on operating expenditure is disclosed separately in operating expenditure in the statement of comprehensive income. The net amount of VAT recoverable from or payable to the taxation authority is included as part of receivables or payables in the statement of financial position.

1.9 Property, plant and equipment

Properties in the course of construction for production supply or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and for qualifying assets borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property plant and equipment when completed and ready for its intended use. Depreciation of these assets on the same basis as other property assets commences when the assets are ready for their intended use.

Property plant and equipment is stated at cost which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment if required. Subsequent costs are capitalised if these result in an enhancement to the asset.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives using the straight-line method. The estimated useful lives residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis. Right of use assets are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Useful lives and residual values

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date

Property, plant and equipment	**Useful lives - Years**
Freehold property	50
Office equipment computers, ATM and point of sales devices	3-7
Furniture and fixtures	5
Motor vehicles	5

Leasehold property and rented property improvements are depreciated over a period that is the shorter of the unexpired period of the lease or its useful life. Freehold land is not depreciated.

1.10 Intangible assets

Intangible assets acquired separately
Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Material accounting policies (continued)

For the year ended 31 December 2023

1.10 Intangible assets (continued)

Intangible assets	**Useful lives - Years**
Computer software, other	3-5

Research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if and only if all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent to initial recognition internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets
An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

1.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired.
If any indication exists or when annual impairment testing for an asset is required the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash generating units (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal recent market transactions are taken into account. If no such transactions can be identified an appropriate valuation model is used. These calculations are corroborated by valuation multiples and quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long- term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

Material accounting policies (continued)

For the year ended 31 December 2023

1.11 Impairment of non-financial assets (continued)

For non- financial assets an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists the Group estimates the assets or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its cost amount nor exceed the carrying amount that would have been determined net of depreciation had no impairment loss been recognised for the asset in prior years.

1.12 Provisions

In terms of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, a provision is recognised when the Group has a present obligation as a result of a past event and it is probable that a transfer of economic benefits will be required to settle the obligation. Further, a reliable estimate of the amount of the obligation is required to be made.

1.13 Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

1.14 Financial instruments

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are capitalised to the initial carrying amount of the financial asset/liability as appropriate on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss. The Group recognises financial assets and liabilities when it becomes a party to the terms of the contract which is the trade date.

On initial recognition it is presumed that the transaction price is the fair value unless there is observable information available in an active market to the contrary. The best evidence of an instrument's fair value on initial recognition is typically the transaction price. However, if fair value can be evidenced by comparison with other observable current market transactions in the same instrument or is based on a valuation technique whose inputs include only data from observable markets then the instrument should be recognised at the fair value derived from such observable market data.

For valuations that have made use of significant unobservable inputs the difference between the model valuation and the initial transaction price (Day One profit) is recognised in profit or loss either on a straight-line basis over the term of the transaction or over the reporting period until all model inputs will become observable where appropriate or released in full when previously unobservable inputs become observable.

Classification and measurement of financial instruments

On initial recognition the Group classifies its financial assets into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income;
- Fair value through profit or loss.

The classification and subsequent measurement of financial assets depends on:

- The business model within which the financial assets are managed; and
- The contractual cash flow characteristics of the asset (that is whether the cash flows represent solely payments of principal and interest).

Business model assessment:

The business model reflects how the Group manages the financial assets in order to generate cash flows and returns. The Group makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The factors considered in determining the business model include:

Material accounting policies (continued)

For the year ended 31 December 2023

1.14 Financial instruments (continued)

i. how the financial assets' performance is evaluated and reported to management;
ii. how the risks within the portfolio are assessed and managed; and
iii. the frequency volume timing for past sales expectations in future periods and the reasons for such sales.

The Group reclassifies debt instruments when and only when the business model for managing those asset changes. Such changes are highly unlikely and therefore expected to be very infrequent.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

In making the assessment of whether the contractual cash flows have SPPI characteristics the Group considers whether the cash flows are consistent with a basic lending arrangement. That is the contractual cash flows recovered must represent solely the payment of principal and interest. Principal is the fair value of the financial asset on initial recognition. Interest typically includes only consideration for the time value of money and credit risk but may also include consideration for other basic lending risks and costs such as liquidity risk and administrative costs together with a profit margin.

Where the contractual terms include exposure to risk or volatility that is inconsistent with a basic lending arrangement the cash flows would not be considered to be SPPI and the assets would be mandatorily measured at fair value through profit or loss as described below. In making the assessment the Group considers inter alia contingent events that would change the amount and timing of cash flows prepayment and extension terms leverage features terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements) and features that modify consideration of the time value of money (e.g. tenor mismatch). Contractual cash flows are assessed against the SPPI test in the currency in which the financial asset is denominated.

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective such as loans and government and corporate bonds. The Group classifies its debt instruments as follows:

Amortised cost – Financial assets are classified within this measurement category if they are held within a portfolio whose primary objective is the collection of contractual cash flows where the contractual cash flows on the instrument are SPPI and that are not designated at fair value through profit or loss. These financial assets are subsequently measured at amortised cost where interest is recognised as effective interest within Effective interest income using the effective interest rate method. The carrying amount is adjusted by the cumulative expected credit losses recognised.

Fair value through other comprehensive income – This classification applies to financial assets which meet the SPPI test and are held within a portfolio whose objectives include both the collection of contractual cash flows and the selling of financial assets. These financial assets are subsequently measured at fair value with movements in the fair value recognised in other comprehensive income with the exception of interest income expected credit losses and foreign exchange gains and losses that are recognised within profit or loss. When the financial asset is derecognised the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to Net trading income in profit or loss. Interest income from these financial assets is included as Effective interest within Effective interest income using the effective interest rate method.

Fair value through profit or loss – Financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are mandatorily measured at fair value through profit or loss. Gains and losses on these instruments are recognised in profit or loss. The Group may also irrevocably designate financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch that would otherwise arise. These will be subsequently measured at fair value through profit or loss with gains and losses recognised as net trading income from banking and trading activities or in profit or loss (refer note 6).

Equity instruments

IFRS 9 provides that at initial recognition an irrevocable election may be made to present subsequent changes in the fair value of an equity instrument in other comprehensive income provided that the instrument is neither held for trading nor constitutes contingent consideration recognised in a business combination. Amounts recognised in other comprehensive income are not subsequently recognised in profit or loss. Dividends when representing a return on investment continue to be recognised in profit or loss when the Group's right to receive payment is established. All equity instruments for which the designation at fair value through other comprehensive income has not been applied are required to be recognised at fair value through profit or loss (refer note 6).

Material accounting policies (continued)

For the year ended 31 December 2023

1.14 Financial instruments (continued)

Financial liabilities
Financial liabilities that are held at amortised cost are measured in accordance with the effective interest rate method. That is the initial fair value (which is normally the amount borrowed) is adjusted for premiums discounts repayments and the amortisation of coupon fees and expenses to represent the effective interest rate of the liability (refer note 4).

Financial liabilities classified as held for trading are subsequently measured at fair value through profit or loss with changes in fair value being recognised in profit or loss.

A financial liability may be designated at fair value through profit or loss if;

i. measuring the instrument at fair value eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
ii. if the instrument belongs to a group of financial assets or financial liabilities that are managed on a fair value basis in accordance with a documented risk management or investment strategy. Own credit gains or losses arising from the valuation of financial liabilities designated at fair value through profit or loss are recognised in other comprehensive income and are not subsequently recognised in profit or loss.

Expected credit losses on financial assets
The Group uses a mixed approach to impairment where parameters are modelled at an individual financial instrument level or on a portfolio basis when they are only evident at this higher level. A collective approach will only be carried out when financial instruments share similar risk characteristics which could include factors such as instrument type collateral type industry geography and credit risk ratings. Credit losses are the present value of the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive.

The Group recognises expected credit losses based on unbiased forward-looking information. Expected credit losses are recognised on:

i. financial assets at amortised cost
ii. lease receivables
iii. debt instruments at fair value through other comprehensive income
iv. loan commitments not measured at fair value
v. financial guarantee contracts not measured at fair value.

Impairment is recognised based on a three-stage approach:

Stage 1: Exposures where there has not been a significant increase in credit risk since origination. For these exposures an expected credit loss is recognised based on the credit losses expected to result from default events that are possible within 12 months of the reporting date. Interest income is calculated based on the gross carrying value of these instruments.

Stage 2: The assessment of whether an exposure should be transferred from stage 1 to stage 2, is based on whether there has been a significant increase in credit risk. This is a relative measure, where the credit risk at the reporting date is compared to the risk that existed upon initial recognition of the instrument.

Any exposure that is more than 30 days past due will also be included in this stage. Interest income is calculated based on the gross carrying value of these instruments.

Stage 3: Exposures which are credit impaired. For these exposures expected credit losses are based on lifetime losses. Assets are considered to be credit impaired as guided by the regulatory definition of default which includes unlikeliness to pay indicators as well as any assets that are more than 90 days past due. Interest income is calculated based on the carrying value net of the loss allowance.

- EAD is the estimated amount at risk in the event of a default (before any recoveries) including behavioral expectation of limit usage by customers in the various stages of credit risk.
- PD is the probability of default at a particular point in time which may be calculated based on the defaults that are possible to occur within the next 12 months; or over the remaining life; depending on the stage allocation of the exposure.
- LGD is the difference between the contractual cash flows due and the cash flows expected to be received discounted to the reporting date at the effective interest rate. The expectation of cash flows takes into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Material accounting policies (continued)

For the year ended 31 December 2023

1.14 Financial instruments (continued)

These forecast losses are discounted to the reporting date based on the EIR. The expectation of cash flows takes into account cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. The estimate reflects the amount and timing of cash flows expected from the enforcement of collateral less the costs of obtaining and selling the collateral. The collection of any cash flows expected beyond the contractual maturity of the contract is also included.

Lifetime of financial instruments
For exposures in stage 2 and stage 3 the maximum lifetime over which expected credit losses should be measured is the maximum contractual period over which the Group is exposed to credit risk. The Group estimates cash flows by considering all contractual terms of the financial instrument (for example prepayment extension call and similar options) through the expected life of that financial instrument. In rare cases when it is not possible to reliably estimate the expected life of a financial instrument the Group uses the remaining contractual term of the financial instrument.

Certain credit exposures include both a drawn and an undrawn component and the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to the contractual notice period. In this case expected credit losses are measured over the period that the Group is exposed to credit risk even if that period extends beyond the maximum contractual period. This applies to overdrafts credit cards and other revolving products.

These contracts are cancellable at very short notice and they have no fixed term but credit may continue to be extended for a longer period and may only be withdrawn after the credit risk of the borrower increases which could be too late to prevent losses. For these types of products the expected life is based on the behavioral life i.e. the period over which there is exposure to credit risk which is not expected to be mitigated by credit actions (e.g. limit decreases) even though the contract permits immediate limit decrease.

Forward looking information
Forward-looking information is factored into the measurement of expected losses through the use of multiple expected macro-economic scenarios that are either reflected in estimates of PD and LGD for material portfolios; or adjusted through expert credit judgement where the effects could not be statistically modelled.

Curing of a Distressed Restructure
The distressed restructure classification is discontinued when the following conditions are met;
It is established that the obligor is able to meet the requirements of the revised terms and conditions of the restructure.
A minimum observation period of 12 months or as per local regulatory requirement where requirement is in excess of 12 months after the restructure is has been put in place during which the obligor must comply with the revised terms and conditions;

In most cases this will equate to a minimum of 12 full consecutive monthly payments. In the case of clients with longer dated repayment terms (e.g. quarterly) the 12-month observation period will still apply but more emphasis should be placed on qualitative factors in the assessment of the cure; and

The classification of the loan into a performing category may be made subsequent to an evaluation by the Business Unit Watch List Committee regarding the qualitative factors in addition to compliance with the revised payment terms and conditions. Qualitative factors include compliance with the loan covenants and compliance with other existing loan obligations. Where these conditions are not met the obligor continues to be under probation and considered to be a distressed restructure until all requirements are met. Compliance with the conditions is assessed quarterly at a minimum by the appropriate SLoD (Second Line of Defense) (official (e.g. Distressed Asset Manager).

Modification and derecognition of financial instruments
In the course of its normal banking activities, the Group makes transfers of financial assets, either legally (where legal rights to the cash flows from the asset are passed to the counterparty) or beneficially (where the Group retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty). Depending on the nature of the transaction, this may result in derecognition of the assets in their entirety, partial derecognition or no derecognition of the assets subject to the transfer. The gain or loss on derecognition of financial assets is determined as the difference between the carrying value of the financial asset derecognised (including impairment, if any) and the fair value of any proceeds received.

Material accounting policies (continued)

For the year ended 31 December 2023

1.14 Financial instruments (continued)

Full derecognition only occurs when the rights to receive cash flows from the asset have been discharged cancelled or have expired or the Group transfers both its contractual right to receive cash flows from the financial assets (or retains the contractual rights to receive the cash flows but assumes a contractual obligation to pay the cash flows to another party without material delay or reinvestment) and substantially all the risks and rewards of ownership including credit risk prepayment risk and interest rate risk. When an asset is transferred in some circumstances the Group may retain an interest in it (continuing involvement) requiring the Group to repurchase it in certain circumstances for other than its fair value on that date.

Modifications to financial assets

Modifications to financial assets are assessed as follows:
A loan modification is a permanent change to one or more of the terms of the loan. Enforcing or adopting terms that were present in the original terms of the facility is not a modification. The treatment of a renegotiation or modification of the contractual cash flows of a financial asset depend on whether the modification is done for commercial reasons or because of financial difficulty of the borrower.

Contractual modifications on commercial terms are treated as a new transaction resulting in derecognition of the original financial asset and the recognition of a 'new' financial asset. Any difference between the carrying amount of the derecognized asset and the fair value of the new asset is recognized in profit or loss.

When the Bank modifies the contractual conditions due to the financial difficulties of the borrower., the asset is not derecognized unless the terms of the contract are substantively changed (such as the inclusion of an equity participation or a substantial change in counterparty). If the asset is not substantially modified, then the gross carrying amount of the financial asset is recalculated to be the present value of the modified cash flows discounted at the original EIR and the resulting modification gain/losses recognised in profit or loss as part of the total impairment loss. Modification gains or losses typically occur on stage 2 and 3 assets.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged cancelled or expires. Where an existing financial liability is replaced by another from the same party on substantially different terms or the terms of an existing liability are substantially modified (taking into account both quantitative and qualitative factors) such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognised in profit or loss. Where the terms of an existing liability are not substantially modified the liability is not derecognised. Costs incurred on such transactions are treated as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Write offs
The gross carrying amount of a financial asset shall be directly reduced ('written off') when the entity has no reasonable expectations of recovering it in its entirety or a portion thereof. The corresponding impairment allowance is also reduced. This reduction occurs when the asset is a stage 3 financial asset. A write-off constitutes a de-recognition event for accounting purposes. (For example, an entity plans to enforce the collateral on a financial asset and expects to recover no more than 30 per cent of the financial asset from the repossess. If the entity has no reasonable prospects of recovering any further cash flows from the financial asset it should write off the remaining 70 per cent of the asset). Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the impairment line of the profit or loss. The point of derecognition for loans with collateral that has been repossessed occurs when the creditor relinquishes control over the collateral.

The point of which an account will be written-off is appropriate at the point when the entity has no reasonable expectations of recovering a financial asset (the asset is reduced to perfecting collateral (no longer any planned direct pursuit of the obligor) either in its entirety or a portion thereof ;

- where it does not make sense from a cost perspective to endeavor any further collection efforts;
- Where local regulators dictate a different outcome to the above two instances local regulation will supersede Group requirements.

Material accounting policies (continued)

For the year ended 31 December 2023

1.14 Financial instruments (continued)

Enforcement of collateral
Property pledged as collateral by customers is repossessed following the foreclosure of the loans that are in default. Repossessed properties are maintained off balance sheet with the respective loan recognized to the extent of discounted fair value of collateral held. The repossessed assets are not recognized on the statement of financial position as title or ownership of the assets never transfers to the Group. Properties held as collateral are taken into consideration when calculating credit exposures and impairment provisions.

The gross carrying amount of a financial asset shall be directly reduced ('written off') when the entity has no reasonable expectations of recovering it in its entirety or a portion thereof. The corresponding impairment allowance is also reduced. This reduction occurs when the asset is a stage 3 financial asset. A write-off constitutes a de-recognition event for accounting purposes.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary share capital proceeds are included in equity net of transaction costs. The key feature which distinguishes an equity instrument from a financial liability is whether there is a contractual obligation of the issuer to deliver cash or another financial asset to the holder of the instrument.

Dividends
Dividends on ordinary shares are charged to equity in the period in which they are declared.

Derivative financial instruments
Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks including foreign exchange forward contracts and interest rate swaps. Notional amounts of the contracts are not recorded on the statement of financial position.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss (refer note 6) immediately.

Derivatives embedded in financial liability non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Embedded derivatives are not separated from financial asset non-derivative host contracts and the entire contract, including any embedded derivatives, is assessed as a whole for classification purposes.

Offsetting
In accordance with IAS 32 Financial Instruments: Presentation the Group reports financial assets and financial liabilities on a net basis on the statement of financial position only if there is a current legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.15 Cash and cash equivalents
For the purposes of the statement of cash flows cash comprises cash on hand and demand deposits and cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value with original maturities of three months or less. Unrestricted balances held with central banks are included as well (i.e. the primary reserve requirement).

1.16 Earnings per share
The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Group and the number of basic weighted average number of ordinary shares excluding treasury shares held in employee benefit trusts or held for trading. When calculating the diluted earnings per share the weighted average number of shares in issue is adjusted for the effects of all dilutive potential ordinary shares held.

Material accounting policies (continued)

For the year ended 31 December 2023

1.17 Segmental reporting

The Group's segmental reporting is in accordance with IFRS 8 Operating Segments (IFRS 8). Operating segments are reported in a manner consistent with the internal reporting provided to the Country Management Committee (CMC) which is responsible for allocating resources and assessing performance of the operating segments and has been identified as the Chief Operation Decision Maker (CODM).

All transactions between business segments are conducted on an arm's length basis. Income and expenses directly associated with each segment are included in determining business segment performance.

Assets excluding loans and advances to customers financial instruments trading portfolio assets and derivative instruments and liabilities excluding deposits due to customers derivative financial instruments and debt securities in issue are not identifiable to any one of the reportable segments and can be used interchangeably between segments. As a result these are not reviewed by chief operating decision maker. Therefore, segmental disclosure relating to these has not been provided.

All transactions between segments are carried in the normal course of business. Our management reporting system reports our inter-segment service at a cost reduction and does not take them as internal revenue. Inter-segment service mainly represents utilisation of manpower resource of one segment by another on a project-by-project basis. Inter-segment services are charged based on an internal cost rate including certain indirect and direct overhead costs but without profit margin.

The segment analysis for the year is detailed on note 47.

1.18 Loan commitments

The Group enters into commitments to lend to its customers subject to certain conditions. Such loan commitments are made either for a fixed period or are cancellable by the Group subject to notice conditions.

Under IFRS 9 loan commitments must be measured with reference to the quantum of ECL required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Group together with the drawn component as a single exposure. The EAD on the entire facility is therefore used to calculate the cumulative ECL. As a result the total ECL is recognised in the ECL allowance in respect of the financial asset unless the total allowance exceeds the gross carrying amount of the financial asset. If this is the case the excess ECL is recognised as a provision on the face of the statement of financial position.

Undrawn loan commitments and letters of credit are commitments under which over the duration of the commitment the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts these contracts are in the scope of the ECL requirements. The nominal contractual value of financial guarantees letters of credit and undrawn loan commitments where the loan agreed to be provided is on market terms are not recorded on in the statement of financial position. The nominal values of these instruments together with the corresponding ECL are disclosed on our financial statement notes. The Bank occasionally issues loan commitments at below market interest rates. Such commitments are subsequently measured at the higher of the amount of the ECL allowance and the amount initially recognized less when appropriate the cumulative amount of income recognized.

1.19 Financial guarantees

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of the debt instrument. Financial guarantees are initially recognized in the consolidated financial statements under provisions at fair value on the date that the guarantee was given.

The premium is recognized in the income statement in Net fees and commission income on a straight- line basis over the life of the guarantee.

The Group has elected not to apply IFRS 17 Insurance Contracts as permitted for financial guarantee contracts since the bank has not explicitly asserted that it considers such contracts to be insurance contracts.

1.20 Stated capital and equity

Equity instruments issued by the group are recognised at the proceeds received, net of direct issue costs. Other components of equity include the following:

- share capital reserve
- General risk reserve
- Retained earnings
- Fair value reserve and Share based payment reserve

Material accounting policies (continued)

For the year ended 31 December 2023

1.20 Stated capital and equity (continued)

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date (Refer to notes 35 and 36 for more details).

1.21 Judgements and estimates

In the preparation of the consolidated financial statements management is required to make judgements estimates and assumptions that affect reported income expenses assets liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements within the next financial period.

Judgements made by management that could have a significant effect on the amounts recognised in the consolidated financial statements include:

- Expected credit losses of financial assets
- Accounting treatment for repossessed assets (Note 1.14)
- Useful lives and residual values of property plant and equipment (Note 24)
- Useful lives and residual values of intangible assets (Note 25)
- Basis for provision for commission refund
- Income taxes
- Basis for determining fair values of investments
- Valuation of the share-based payment reserve
- Valuation of the retirement benefit plan

Expected credit losses (ECL) of financial assets

The consideration of credit risk is a fundamental process for the Group as it ultimately determines the impairment losses recognised from an accounting perspective. This section describes the processes and assumptions applied in estimating impairment under IFRS 9.

Approach to impairment of credit exposures

The measurement of ECL involves a significant level of complexity and judgement including estimation of probability of default (PD), loss given default (LGD), a range of unbiased future economic scenarios, estimation of expected losses, estimation of exposure at default (EAD) and assessing significant increases in credit risk.

The purpose of estimating ECL is neither to estimate a worst-case scenario nor to estimate the best-case scenario. The estimate reflects an unbiased and probability- weighted amount that is determined by evaluating a range of possible outcomes. In some cases relatively simple modelling is considered to be sufficient without the need to consider the outcome under different scenarios. For example, the average credit losses of a large group of financial instruments with shared risk characteristics may be a reasonable estimate of the probability- weighted amount. In other situations the identification of scenarios that specify the amount and timing of the cash flows for particular outcomes and the estimated probability of those outcomes will be needed.

Under IFRS 9 the Group recognises ECL based on a stage allocation methodology with such categorisation informing the level of provisioning required. The ECL allowance calculated on stage 1 assets reflects the 12 months losses associated with events of default that are expected to occur within 12 months of the reporting date (12-month ECL).

Assets classified within stage 2 and stage 3 carry an ECL allowance calculated based on the lifetime losses associated with defaults that are expected to occur over the lifetime of the exposure (lifetime ECL). The assessment of whether an exposure should be transferred from stage 1 to stage 2 is based on whether there has been a significant deterioration in credit risk. This is a relative measure where the credit risk at the reporting date is compared to the risk that existed upon initial recognition of the instrument. Exposures are classified within stage 3 if they are credit impaired.

Material accounting policies (continued)

For the year ended 31 December 2023

1.21 Judgements and estimates (continued)

For IFRS 9 purposes two distinct PD estimates are required:

- 12-month PD: the likelihood of accounts entering default within 12 months of the reporting date.
- Lifetime PD: the likelihood of accounts entering default during the remaining life of the asset.

For the purposes of credit modelling under IFRS 9 the PD is calculated on a point in time (PIT) basis and reflects the likelihood of default assessed based on the prevailing economic conditions at the reporting date adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default. PIT PDs do not equate to a long run average. This is a key distinction between the IFRS 9 ECL models and the Group's Basel III models. Under Basel III the PD is the average of default within the next 12 months calculated based on the long-run historical average over the full economic cycle.

IFRS 9 provides that financial asset should be written off and accordingly derecognised when the Group believes there to be no reasonable expectation of recovery. The Group has well-governed internal policies which define how an individual account should be assessed for write-off and which ensure that post write-off recoveries remain insignificant over the long run. Further the policies are recalibrated over time as and when actual recovery experience changes. Whilst the Group's write-off policy determines the point of derecognition at an individual account level it also impacts the level of recoveries modelled on a collective basis for the purposes of determining LGDs to be applied at a portfolio level. Under IFRS 9 the Group applies the write-off assumptions consistently at both an individual account level and on a collective modelling basis. This means that the Group's LGD model includes only the present value of forecast recoveries on a pool of loans up until the designated point of write-off. Recoveries which are therefore forecast to be received post the point of write-off are excluded from the LGD model. Recoveries of amounts previously written off are recognised as an ECL gain in the statement of comprehensive income as and when the cash is received.

In calculating LGD losses are discounted to the reporting date using the EIR determined at initial recognition or an approximation thereof. For debt instruments such as loans and advances the discount rate applied is the EIR calculated on origination or acquisition date. For financial guarantee contracts or loan commitments for which the EIR cannot be determined losses are discounted using a rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows (to the extent that such risks have not already been taken into account by adjusting the cash shortfalls).

Approach to impairment of credit exposures

The EAD model estimates the exposure that an account is likely to have at any stage of default in future. This incorporates both the amortising profile of a term loan as well as behavioural patterns such as the propensity of the client to draw down on unutilised facilities in the lead up to a default event.

Expert credit judgement may in certain instances be applied to account for situations where known or expected risk factors have not been considered in the ECL assessment or modelling process or where uncertain future events have not been incorporated into the modelled approach. Adjustments are intended to be short term measures and will not be used to incorporate any continuous risk factors. The Group has a robust policy framework which is applied in the estimation and approval of management adjustments.

Retail portfolio

Ratings assigned across each Retail portfolio are based on automated application and behavioural scoring systems. The underlying rating is calculated at point of application and updated monthly thereafter. The rating is used in decisions concerning underwriting and account management and is used to calculate regulatory capital economic capital and IFRS 9 ECL. The methodology and data employed in the risk estimation and the rating processes can be summarised as follows:

- Internal risk estimates of PD EAD and LGD are based on historical experience and are reliant on historical data.
- PDs are assigned at account level and consist of three elements namely:
  - a term structure capturing typical default behavior by the months since observation;
  - a behavioral model which incorporates client level risk characteristics; and
  - a macro-economic model that incorporates forward looking macro-economic scenarios
- EADs are assigned at an account level and are based on the EAD pool to which the account has been assigned. EAD estimates incorporate all relevant data and information including account balances as well as utilised and unutilised limits if present.
- LGDs are assigned at account level and are based on the LGD pool to which the account has been assigned. Relevant historical data used in LGD estimates include observed exposure at the point of default recovery strategies re-defaults cure and write-off rates. The models make use of risk drivers such as loan-to-value (LTV) and attributes that describe the underlying asset.

Material accounting policies (continued)

For the year ended 31 December 2023

1.21 Judgements and estimates (continued)

Wholesale portfolio

The Wholesale rating process relies both on internally developed PD EAD and LGD rating models and vendor provided solutions. The Wholesale rating process relies on quantitative and qualitative assessments that could be manual or automated. Wholesale PDs and LGDs are modelled using the parameters from regulatory models as a starting point. Parameters are adjusted for differences between requirements under Basel III and IFRS 9.

- PD ratings are assigned on a customer level. Information used in the calculation of customer PD ratings includes financial statements projected cash flows equity price information behavioral information as well as quality assessments on strength of support. In converting Basel III compliant PDs to PDs appropriate for the purposes of IFRS 9 the main adjustments effected comprise:
- a macroeconomic adjustment that changes the paradigm from a long-run average default rate to a PD that reflects the prevailing macroeconomic conditions thereby adjusting the PD from a seven-year historical average to a PD reflective of the macro-economic environment at the reporting date; and
- an adjustment to the regulatory PD to convert it from a PD over 12 months to a PD over the lifetime of an exposure to be able to assess significant increases in credit risk and estimate lifetime provisions for stage 2.
- LGD estimates depend on the key drivers of recovery such as collateral value seniority of claim and costs involved as part of the recovery process. LGD models are based on internal and external loss data and the judgement of credit experts. The main adjustments to LGD comprise a macroeconomic adjustment that changes the long-run LGD to reflect a given macroeconomic scenario as well as the exclusion of forecast recoveries expected beyond the point of write-off. Lifetime projections of LGD take into account the expected balance outstanding on a loan at the time of default as well as the value of associated collateral at that point in time.
- EAD models aim to replicate the expected utilisation of a customer's facility should a default occur. EADs are assigned for each facility using models incorporating internal and external default data as well as the experience of credit experts in relation to particular products or customer groups.

Definition of a significant increase in credit risk

The Group uses various quantitative qualitative and backstop measures as indicators of a significant increase in credit risk. The thresholds applied for each portfolio will be reviewed on a regular basis to ensure they remain appropriate. Where evidence of a significant increase in credit risk is not yet available at an individual instrument level instruments that share similar risk characteristics are assessed on a collective basis.

Key drivers of a significant increase in credit risk include:

- Where the weighted average (PD) for an individual exposure or group of exposures as at the reporting date evidences a material deterioration in credit quality relative to that determined on initial recognition;
- Adverse changes in payment status and where accounts are more than 30 days in arrears at reporting date. In certain portfolios a more conservative arrears rule is applied where this is found to be indicative of increased credit risk (e.g. 1 day in arrears);
- Accounts in the Retail portfolio which meet the portfolio's impairment high risk criteria, such as certain modified accounts, customers' repayment patterns on other products; as well as information based on internal and external behavioral scorecards.; and
- The Group's watch list framework applied to the Wholesale portfolio which is used to identify customers facing financial difficulties or where there are grounds for concern regarding their financial health.

Definition of credit impaired

Assets classified within stage 3 are considered to be credit impaired when an exposure is in default. Important to the Group's definition of default is the treatment of exposures which are classified as within forbearance. Forbearance is a concession granted to a counterparty for reasons of financial difficulty that would not otherwise be considered by the Group. The definition of forbearance is not limited to measures that give rise to an economic loss (that is a reduction in the counterparty's financial obligation).

Default within Wholesale and Retail is aligned with the regulatory definition and therefore assets are classified as defaulted when either:

The Group considers that the obligor is unlikely to pay its credit obligations without recourse by the Group to actions such as realising security. Elements to be taken as indications of unlikeliness to pay include the following:

Material accounting policies (continued)

For the year ended 31 December 2023

1.21 Judgements and estimates (continued)

- The Group consents to a distressed restructuring / forbearance of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness of principal interest or fees;
- The customer is under debt review business rescue or similar protection;
- Advice is received of customer insolvency or death; or
- The obligor is past due 90 days or more on any credit obligation to the Group.

In addition, within the Retail portfolios:

- All forms of forbearance are treated as in default regardless of whether the restructure has led to a diminished financial obligation or not; and
- The Group requires an exposure to reflect at least 12 consecutive months of performance in order to be considered to have been cured from Stage 3. This probation period applies to all exposures including those that may have been classified as defaulted for reasons other than forbearance and debt review (e.g. owing to the fact that they become more than 90 days past due).

Determination of the lifetime of a credit exposure
The determination of initial recognition and asset duration (lifetime) are critical judgements in determining quantum of lifetime losses that apply. The date of initial recognition reflects the date that a transaction (or account) was first recognised on the statement of financial position. The PD recorded at this time provides the baseline used for subsequent determination of a significant increase in credit risk.

When determining the period over which the entity is expected to be exposed to credit risk but for which the ECL would not be mitigated by the entity's normal credit risk management actions, the Group considers factors such as historical information and experience about:

- the period over which the entity was exposed to credit risk on similar financial instruments;
- the length of time for related defaults to occur on similar financial instruments following a significant increase in credit risk; and
- the credit risk management actions that an entity expects to take once the credit risk on the financial instrument has increased such as the reduction or removal of undrawn limits.

For asset duration the approaches which are applied (in line with IFRS 9 requirements) are:

- Term lending: the contractual maturity date reduced for behavioural trends where appropriate (such as expected settlement and amortisation); and
- Revolving facilities: for Retail portfolios asset duration is based on behavioural life and this is normally greater than contractual life. For wholesale portfolios a sufficiently long period to cover expected life modelled and an attrition rate is applied to cater for early settlement.

Incorporation of forward-looking information into the IFRS 9 modelling
The Group's IFRS 9 impairment models consume macroeconomic information to enable the models to provide an output that is based on forward looking information. The macro-economic variables and forecast scenarios are sourced from one of the world's largest research companies and are reviewed and approved in accordance with the Group's macroeconomic governance framework. This review includes the testing of forecast estimates the appropriateness of variables and probability weightings as well as the incorporation of these forecasts into the ECL allowance (refer note 4).

The Group has adopted the use of three economic scenarios: a base scenario a mild upside scenario and a mild downside scenario.

Base scenario

- Global growth is forecast to continue on the steady path but less synchronized and balanced among advanced economies than in previous years.

Sub-Saharan Africa's economy continues to face significant uncertainties and downside risk. Global uncertainties including US trade and monetary policies capital outflows domestic political risks fiscal vulnerabilities volatile weather conditions and weak policy implementation continue to weigh on the outlook.

Material accounting policies (continued)

For the year ended 31 December 2023

1.21 Judgements and estimates (continued)

Mild upside scenario: Stronger near-term growth

- The global economy grows faster than expected as global trade and political tensions subside. This boosts global business confidence trade and investment.
- A stronger global economy and higher commodity prices help support growth in African commodity exports and fixed investments. The level of output remains above the baseline scenario.

Mild downside scenario: Moderate recession

- Global output contracts over the first year of the forecast as economies experience a synchronized contraction in economic activity.
- Sub-Saharan Africa's markets would be affected through low commodity prices and currencies. Falling exports drive currencies weaker and inflation higher.

Share-based payments
As explained in section 1.7 schemes are linked to the shares of the Company's holding company Absa Group Limited. The initial fair value of awards is determined at grant date and is measured after taking into account all terms and conditions of the share incentive scheme excluding non-market vesting conditions. In the case of certain schemes, options are granted to employees with a zero-strike price. In this case Absa Bank Botswana Limited may consider Absa Group Limited's share price on the grant date to be the best indication of the grant date fair value. Where management determines this valuation approach to be less appropriate, based on the specific terms and conditions, then an appropriate option pricing model (for instance, a Black Scholes or Monte Carlo simulation) is applied. Significant inputs into this pricing model include the following:

Inputs	At 31 December 2023
Share price forecast	190
Expected return - Dividend	6.80%
Expected return – share price growth	7.90%

The cumulative expense recognised at each reporting date will reflect the extent to which the vesting period has expired as well as the Group's best estimate of the number of equity instruments that will ultimately vest. A key assumption applied is staff turnover and expected forfeitures. Management calibrates this assumption based on historical data. Note 48 include details of the Group's share awards.

Basis for determining fair values of investments
The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values should be first calculated with reference to observable inputs where these are available in the market. Only where these are unavailable should fair value techniques be applied which employ less observable inputs. Unobservable inputs may only be used where observable inputs or less observable inputs are unavailable. IFRS 13 Fair Value Measurement does not mandate the use of a particular valuation technique but rather sets out a principle requiring an entity to determine a valuation technique that is appropriate in the circumstances for which sufficient data is available and for which the use of relevant observable inputs can be maximised. Where management is required to place greater reliance on unobservable inputs the fair values may be more sensitive to assumption changes and different valuation methodologies that may be applied. For this reason there is a direct correlation between the extent of disclosures required by IFRS 13 and the degree to which data applied in the valuation is unobservable.

The fair values of quoted investments in active markets are based on current bid prices (level 1). If the market for a financial asset is not active the Group establishes fair value by using valuation techniques (level 2 and level 3). These include the use of recent arm's length transactions discounted cash flow analysis option pricing models and other valuation techniques commonly used by market participants.

Debt securities and treasury and other eligible bills
These instruments are valued based on quoted market prices from an exchange dealer broker industry group or pricing service where available. Where unavailable fair value is determined by reference to quoted market prices for similar instruments or in the case of certain mortgage-backed securities valuation techniques using inputs derived from observable market data and where relevant assumptions in respect of unobservable inputs.

Derivatives
Derivative contracts can be exchange-traded or traded Over The Counter ("OTC"). OTC derivative contracts include forward swap and option contracts related to interest rates bonds foreign currencies credit spreads equity prices and commodity prices or indices on these instruments.

Material accounting policies (continued)

For the year ended 31 December 2023

1.21 Judgements and estimates (continued)

Fair values of derivatives are obtained from quoted market prices dealer price quotations discounted cash flow and pricing models. Bid- offer valuation adjustments for assets and liabilities where the Group is not a market maker mid-prices are adjusted to bid and offer prices respectively unless the relevant mid-prices are reflective of the appropriate exit price as a practical expedient given the nature of the underlying instruments. Bid-offer adjustments reflect expected close out strategy and for derivatives the fact that they are managed on a portfolio basis.

The methodology for determining the bid-offer adjustment for a derivative portfolio will generally involve netting between long and short positions and the bucketing of risk by strike and term in accordance with the hedging strategy. Bid-offer levels are derived from market sources such as broker data. For those assets and liabilities where the Group is a market maker and has the ability to transact at or better than mid-price (which is the case for certain equity bond and vanilla derivative markets) the mid-price is used since the bid-offer spread does not represent the transaction cost.

Measurement of assets and liabilities at Level 2

The following table presents information about the valuation techniques and significant observable inputs used in measuring assets and liabilities categorised as Level 2 in the fair value hierarchy:

Category of asset	Valuation techniques applied	Significant observable inputs
Loans and advances to banks	Future cash flows are discounted using market- related interest rates adjusted for credit inputs over the contractual period of the instruments (that is discounted cash flow)	Interest rates and/or money market curves as well as credit spreads
Trading and hedging portfolio assets and liabilities*		
Debt instruments Derivatives	Discounted cash flow models	Underlying price of market instruments and/or interest rates
Foreign exchange derivatives	Discounted cash flow techniques and/or option pricing models such as the Black Scholes model	Interest rate curves repurchase agreements money market curves and/ or volatilities.
Interest rate derivatives	Discounted cash flow and/or option pricing models	Interest rate curves repurchase agreement curves money market curves and/or volatility

*Trading portfolio assets and liabilities relates to both foreign exchange and interest rate derivatives.

Basis for provision for commission refund

Commission earned from the principal in respect of credit insurance policies secured are refundable in the case of early settlements or cancellation of policies by the Group's customers. Management employs judgements in coming up with estimates of the proportion of the customers who will submit a claim for such refunds and the corresponding fees that may fall in this category. The insurance model gives an approximate % to be deferred of commission received. It calculates on a month-on-month basis the average rate of clawbacks which is then averaged out every year to get a yearly average. The yearly average is then applied to the subsequent year figure of commission received to get an amount to defer.

This is done to ensure a balanced representation of income realized and clawback amounts, preventing either from being overstated or understated. Clawbacks are recorded monthly, providing clarity on the commission's relevant year and the probability of payments. The calculation follows an insurance deferral model, resulting in a weighted average of 34.5%. The credit life commission received monthly (34.5%) represents the deferral amount disclosed in the financial statements.

Income taxes

The Group is subject to income taxes and the calculation of the Group's tax charge and liabilities for income taxes necessarily involves a degree of estimation and judgement. There are many transactions and calculations for which the ultimate tax treatment is uncertain or in respect of which the tax authority may indicate disagreement with the Group's treatment and accordingly the final tax charge cannot be determined until resolution has been reached with the tax authority.

Material accounting policies (continued)

For the year ended 31 December 2023

1.21 Judgements and estimates (continued)

The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes tax liabilities, where appropriate, on the basis of amounts expected to be paid to the tax authority. The carrying amount of any resulting liabilities will be sensitive to the manner in which tax matters are expected to be resolved, and the stage of negotiations or discussion with the tax authority. There may be significant uncertainty around the final outcome of tax proceedings, which in many instances, will only be concluded after a number of years. Management estimates are informed by a number of factors including, inter alia, the progress made in discussions or negotiations with the tax authority, the advice of expert legal counsel, precedent set by the outcome of any previous claims.

Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the reporting period in which such determination is made. These risks are managed in accordance with the Group's Tax Risk Framework.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining the deferred tax asset to be recognised is the effect of expected credit losses as it involves a significant level of complexity, judgement and estimation.

Notes to the consolidated and separate financial statements

For the year ended 31 December 2023

2. Incorporation of forward-looking information into the IFRS 9 modelling

The Group's impairment models consume macro-economic information to enable the models to provide an output that is based on forward-looking information.

As at 31 December 2023, the Group believes that the probability of the baseline scenario presented below is more likely to occur as opposed to alternative scenarios. The weightings are Baseline 40% Downside 30% and Upside 30%.

The following table shows the key forecast assumptions for the economic scenarios as at 31 December 2023:

31 December 2023	Baseline				Upside				Downside			
(%)	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Real GDP	3.20	3.60	3.80	4.00	3.60	4.60	5.00	5.20	2.70	2.70	2.90	2.90
CPI	5.10	3.80	4.20	4.20	5.10	2.70	2.90	3.20	5.10	5.30	5.40	5.70
Policy rate	2.63	2.40	2.56	2.65	2.63	2.24	2.15	2.15	2.63	3.19	4.88	5.00

31 December 2022	Baseline				Upside				Downside			
(%)	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025
Real GDP	5.50	4.40	4.00	3.80	6.60	5.80	5.40	5.20	4.30	3.00	3.00	2.70
CPI	12.30	6.20	3.90	3.60	11.90	4.90	2.40	2.20	13.00	8.00	5.50	5.40
Policy rate	2.78	2.65	2.87	3.43	2.78	2.65	2.68	2.99	2.84	3.90	4.59	5.09

Sensitivity of expected credit losses
The table below reflects the impact of assigning a probability weighting of macroeconomic scenarios at a rate of Baseline %40 Downside %30 and Upside %30 on the stage 1 and stage 2 loans and advances to customers:

	Consolidated and Company			
	2023		2022	
	P '000	% change	P '000	% change
ECL allowance on stage 1 and stage 2 loans and advances to customers	358 477		249 830	
Baseline	143 391	43	99 932	150
Upside	107 543	43	74 949	233
Downside	107 543	43	74 949	233

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
3. Effective interest income				
Financial assets at fair value through OCI	131 369	70 761	131 369	70 761
Loans to related parties	70 253	31 525	70 253	31 525
Loans and advances to banks	1 725	1 582	1 725	1 582
Loans and advances to customers	1 831 192	1 524 191	1 831 192	1 524 191
Total interest income	**2 034 539**	**1 628 059**	**2 034 539**	**1 628 059**
4. Effective interest expense				
Deposits from banks	(269)	(11 951)	(269)	(11 951)
Customer deposits	(544 745)	(358 344)	(544 745)	(358 344)
Debt securities in issue	(33 004)	(23 122)	(33 004)	(23 122)
Subordinated debt	(42 737)	(34 495)	(42 737)	(34 495)
Interest on lease liabilities	(4 648)	(5 495)	(4 648)	(5 495)
Loans from related parties	(8 702)	(7 895)	(8 702)	(7 895)
Total interest expense	**(634 105)**	**(441 302)**	**(634 105)**	**(441 302)**
5. Net fee and commission income*				
Fee and commission income at a point in time				
Insurance commissions	56 599	50 700	1 612	324
Interchange fees	209 384	155 510	209 384	155 510
Withdrawal fees	11 257	14 554	11 257	14 554
Application banking fees	8 871	63 403	8 871	63 403
	286 111	**284 167**	**231 124**	**233 791**
Fee and commission income over time				
Maintenance charges	104 955	102 635	104 955	102 635
Service fees	166 439	126 183	166 439	126 183
	271 394	**228 818**	**271 394**	**228 818**
Fee and commission income	**557 505**	**512 985**	**502 518**	**462 609**
Foreign exchange gains	19 098	993	19 098	993
Fee and commission income	**576 603**	**513 978**	**521 616**	**463 602**
Fee and commission expense				
Inter-bank transaction fees	(95 001)	(63 767)	(95 001)	(61 601)
Commission expenses	(4 736)	-	(1 665)	(647)
Fee and commission expense	**(99 737)**	**(63 767)**	**(96 666)**	**(62 248)**
Net fee and commission income	**476 866**	**450 211**	**424 950**	**401 354**

* Refer to restatement note 54.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
6. Net trading income				
Trading income exchange gain	35 142	41 060	35 142	41 060
Net movement from financial assets measured at Fair Value	1 970	(437)	1 970	(437)
Treasury sales activities	162 533	125 865	162 533	125 865
Market making activities	24 196	49 616	24 196	49 616
Exchange gains and losses	(7 208)	(2 524)	(7 208)	(2 524)
	216 633	**213 580**	**216 633**	**213 580**
7. Other income				
Management fee income*	-	-	31 949	28 523
Rental income	4 599	4 476	4 599	4 476
Insurance recoveries	9 267	2 441	9 267	2 441
Gain on disposal of property and equipment	7 697	568	7 697	568
	21 563	**7 485**	**53 512**	**36 008**

*Management fee income includes management fee income received from the Bank's subsidiary Absa Insurance Services (Proprietary) Limited.

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
Minimum Lease Receivable (Undiscounted)				
Within 1 year	4 599	4 279	4 599	4 279
After 1 year but less than 5 years	22 995	21 394	22 995	21 394
More than 5 years	6 165	5 462	6 165	5 462
	33 759	**31 135**	**33 759**	**31 135**
8. Expected credit losses				
Stage 3 expected losses	(49 637)	(62 747)	(49 637)	(62 747)
Stage 2 expected losses	(41 403)	55 257	(41 403)	55 257
Stage 1 expected losses	18 749	(26 173)	18 749	(26 173)
Expected credit loss expense	(72 291)	(33 663)	(72 291)	(33 663)
Recoveries of loans and advances to customers previously written off	**2 855**	**23 241**	**2 855**	**23 241**
Write off of loans and advances to customers	(7 124)	-	(7 124)	-
Statement of comprehensive income charge	**(76 560)**	**(10 422)**	**(76 560)**	**(10 422)**

Recoveries in stage 2 are primarily driven by one-time model enhancement benefits, which is why 2022 stands out as an outlier due to these benefits. A regular progression was noted in 2023, with impairment movement expense starting to normalise.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
9. Staff costs				
Salaries and current services costs**	(393 301)	(354 693)	(392 420)	(354 693)
Retrenchment costs*	(91 000)	-	(91 000)	-
Training costs	(4 388)	(6 252)	(4 388)	(6 252)
Staff medical costs	(25 708)	(23 005)	(25 708)	(23 005)
Leave pay	(11 125)	(2 955)	(11 125)	(2 955)
Payroll related allowances	(31 508)	(30 584)	(31 508)	(30 584)
Staff welfare	(23 569)	(21 613)	(23 569)	(21 613)
Pension cost	(43 735)	(41 564)	(43 735)	(41 564)
Cash-settled share-based payments	(2 538)	(178)	(2 538)	(178)
Equity-settled share-based payments	(6 990)	(5 130)	(6 990)	(5 130)
Total staff costs	**(633 862)**	**(485 974)**	**(632 981)**	**(485 974)**
Average number of employees during period	**1 111**	**1 035**	**1 111**	**1 035**

*Refer note 32 for more details on retrenchment costs.

** Bonus provision of P 14million was part of restatement in the year 2022. Refer to restatement note 54.

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
10. Infrastructure costs				
Equipment maintenance costs	(27 987)	(24 172)	(27 987)	(24 172)
Property maintenance costs	(3 164)	(14 638)	(3 164)	(14 638)
Depreciation of property plant and equipment	(41 318)	(40 312)	(41 318)	(40 312)
Depreciation of right-of-use assets	(30 561)	(30 314)	(30 561)	(30 314)
Amortisation of intangible assets	(689)	(1 119)	(689)	(1 119)
Short-term leases*	(19 656)	(6 550)	(19 656)	(6 550)
Software licensing and other information technology	(59 758)	(46 105)	(59 758)	(46 105)
Total infrastructure costs	**(183 133)**	**(163 210)**	**(183 133)**	**(163 210)**

*Operating lease rentals amounting to P 5 425 thousand (2022 : P 4 310 thousand) has been classified as short term and low value leases to reflect the appropriate nature of expenses. The costs include recoveries such as water, electricity etc.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
11. Administration and general expenses				
Auditors' remuneration:				
Audit fees	(6 736)	(4 706)	(6 686)	(4 706)
Consultancy legal and professional fees	(62 280)	(52 020)	(62 280)	(52 020)
Marketing advertising and sponsorship	(24 545)	(17 682)	(24 545)	(17 682)
Travel and accommodation	(3 674)	(3 915)	(3 674)	(3 915)
Cash-in-transit	(19 088)	(19 659)	(19 088)	(19 659)
Directors' fees	(3 334)	(3 140)	(3 334)	(3 140)
Donations	(874)	(2 060)	(874)	(2 060)
Stationery and postage	(17 319)	(14 395)	(17 319)	(14 395)
Telephone	(18 712)	(14 090)	(18 712)	(14 090)
	(149 826)	**(126 961)**	**(149 826)**	**(126 961)**

Included as part of the administrative and general are expenses incurred with related parties

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
Transitional service costs – recharges by related parties	(132 058)	(129 496)	(132 058)	(129 496)
Recoveries	5 109	6	5 109	6
Total related party expenses (note 48)	**(126 949)**	**(129 490)**	**(126 949)**	**(129 490)**
Security expenses	(14,802)	(13,831)	(14,802)	(13,831)
Withholding and vat expenses	(48 135)	(48 287)	(45 460)	(48 287)
Other costs – general non-related party	(44 852)	(12 459)	(44 885)	(10 027)
	(107 789)	**(74 577)**	**(105 147)**	**(72 145)**
Total administrative and general expenses	**(391 300)**	**(335 734)**	**(388 608)**	**(333 302)**

IESBA fee disclosure: Financial statement audit fees including interim review audit fees for KPMG Botswana is 2023: P 4 800 thousand (2022: financial statement audit fees including interim review audit fees for Ernst & Young Botswana: P 5 581 thousand). This includes both Group and Company.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
12. Taxation expense				
Major components of the tax expense				
Current				
Normal tax – current year	207 643	198 900	203 328	197 562
Deferred				
Movement in deferred tax asset – current year	(1 572)	4 914	(2 106)	4 252
Total income tax recognised in the current year	**206 071**	**203 814**	**201 222**	**201 814**

Reconciliation between operating profit and tax expense

The tax on the Group's and company's profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 22% applicable to the profits of the consolidated entities and the company as follows:

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
Profit before tax	830 641	862 693	814 247	844 791
Income tax expense calculated at 22% (2022: 22%)	182 741	189 792	179 134	185 854
Tax effect of adjustments on taxable income				
Tax on non-deductible expenses	1 408	2 640	1 408	2 093
Effect of deferred tax not recognised	-	(6 669)	-	(6 669)
Prior year under/(over) provision-current tax	12 504	20 419	4 798	22 904
Prior year under provision-deferred tax	9 418	(2 368)	15 882	(2 368)
Income tax expense recognised in profit or loss	**206 071**	**203 814**	**201 222**	**201 814**
Effective tax rate	**24.81 %**	**23.63 %**	**24.71 %**	**23.89 %**
Reconciliation or breakdown of non-deductible expenses				
Penalties and fines	2 806	5 213	2 806	5 213
Donations and sponsorships	3 593	4 302	3 593	4 302
Other expenses	-	2 486	-	-
Total non-deductible differences	**6 399**	**12 001**	**6 399**	**9 515**
Tax on non-deductible expenses at 22% (2022: 22%)	**1 408**	**2 640**	**1 408**	**2 093**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

13. Earnings per share

	Group and Company	
	2023	2022
Basic earnings per share*		
From continuing operations (thebe per share)	73.29	77.32
Number of shares		
Issued shares at the beginning of the year	852 161	852 161
Weighted average number of ordinary shares	**852 161**	**852 161**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year. No other adjustments were made to this figure. There were no potentially dilutive shares at 31 December 2023 (31 December 2022: Nil). The issued shares above have been rounded to the nearest thousand.

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
14. Cash				
Cash and cash equivalents consist of:				
Local currency (Pula)	706 028	618 255	706 028	618 255
Foreign currency	47 248	50 558	47 248	50 558
	753 276	**668 813**	**753 276**	**668 813**
Exposure to currency risk				
USD	30 972	20 697	30 972	20 697
ZAR	11 091	24 204	11 091	24 204
GBP	1 264	1 465	1 264	1 465
EURO	3 613	3 851	3 613	3 851
Other	308	341	308	341
	47 248	**50 558**	**47 248**	**50 558**
15. Balances at central bank				
Current account	1 645	4 604	1 645	4 604
Primary reserve requirement	394 000	-	394 000	-
Standing deposit facility	752 000	66 011	752 000	66 011
Gross balances at central bank	1 147 645	70 615	1 147 645	70 615
Expected credit losses	(13)	(11)	(13)	(11)
	1 147 632	**70 604**	**1 147 632**	**70 604**

The minimum statutory reserve with the Bank of Botswana is calculated at 2.5% (2022: 2.5%) of the average local currency customer deposits. This is calculated on a monthly basis using deposits from two months earlier. With a view to providing flexibility, the Bank of Botswana implemented "reverse averaging" in the determination of the Primary Reserve Requirement (PRR), under which the commercial banks can fulfil this statutory requirement on an average basis over the maintenance period rather than daily. As at the year end the PRR (primary statutory reserve) was P394million (2022: Nil). The bank was in compliance with the central bank PRR limit, as this is assessed on an average basis the bank's average PRR balance was P394million (2022: 339million)

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
16. Trading portfolio assets				
Debt securities	191 177	80 791	191 177	80 791
Trading portfolio assets	**191 177**	**80 791**	**191 177**	**80 791**
Maturity analysis				
Between 1-2 years	68 523	-	68 523	-
Between 2-5 years	44 065	80 797	44 065	80 797
Between 5-10 years	40 488	-	40 488	-
Over 10 years	37 953	-	37 953	-
Total	**191 029**	**80 797**	**191 029**	**80 797**
Fair value adjustment	148	(6)	148	(6)
Trading portfolio assets	**191 177**	**80 791**	**191 177**	**80 791**

17. Derivative financial instruments

Group and Company

2023

	Notional Contract Amount Assets P '000	Notional Contract Amount Liabilities P '000	Assets P '000	Liabilities P '000
Foreign exchange derivatives				
Forward foreign exchange	7 918	639	6 629	1 425
Currency swap	98 242	103 761	96 588	94 538
Over the counter options bought and sold	653	92	235	77
Foreign exchange derivatives	**106 813**	**104 492**	**103 452**	**96 040**
Total derivatives	**106 813**	**104 492**	**103 452**	**96 040**

2022

	Notional Contract Amount Assets P '000	**Notional Contract Amount Liabilities P '000**	**Assets P '000**	**Liabilities P '000**
Foreign exchange derivatives				
Forward foreign exchange	9 020	9 278	16 036	19 722
Currency swap	831 623	1 079 555	113 696	95 023
Over the counter options bought and sold	181	455	260	368
Foreign exchange derivatives	**840 824**	**1 089 288**	**129 992**	**115 113**
Total derivatives	**840 824**	**1 089 288**	**129 992**	**115 113**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
18. Financial assets at fair value through OCI				
Bank of Botswana certificates	2 148 869	1 730 347	2 148 869	1 730 347
Treasury bonds	320 401	761 344	320 401	761 344
Debt securities	80	80	80	80
Fair value adjustment	(4 327)	-	(4 327)	-
Expected credit losses	(128)	(402)	(128)	(402)
	2 464 895	**2 491 369**	**2 464 895**	**2 491 369**
Bank of Botswana certificates				
Less than 1 month	1 048 751	618 262	1 048 751	618 262
1-3 months	-	578 432	-	578 432
3-12 months	1 100 118	533 653	1 100 118	533 653
Total	**2 148 869**	**1 730 347**	**2 148 869**	**1 730 347**
Treasury bonds				
Less than 1 year	-	455 277	-	455 277
1- 5 years	228 682	224 408	228 682	224 408
Over 6 years	91 719	81 659	91 719	81 659
Total	**320 401**	**761 344**	**320 401**	**761 344**
Debt securities				
Over 5 years	**80**	**80**	**80**	**80**
Total gross amount financial assets at FV through OCI	2 469 350	2 491 771	2 469 350	2 491 771
Fair value adjustment	(4 327)	-	(4 327)	-
Expected credit losses	(128)	(402)	(128)	(402)
Total carrying amount financial assets at FV through OCI	**2 464 895**	**2 491 369**	**2 464 895**	**2 491 369**

Financial assets at fair value through other comprehensive income (OCI) include Bank of Botswana Certificates Treasury Bills and Government bonds. Bank of Botswana certificates amounting to P428million (2022: P428million) have been pledged as collateral for use of the secured intra-day trading facilities with Bank of Botswana.

The Group holds debt securities relating to debentures in private schools and sport clubs.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
19. Loans and advances to banks*				
Current accounts	763 975	882 451	763 975	882 451
Fixed term	-	636 715	-	636 715
	763 975	**1 519 166**	**763 975**	**1 519 166**
Expected credit losses	(128)	(42)	(128)	(42)
Total carrying amount of loans and advances to banks	**763 847**	**1 519 124**	**763 847**	**1 519 1244**

The fixed term placements and current account balances are accounts held with other banks both local and foreign banks. The carrying amount of the balances approximates their fair value.

*Refer to restatement note 54.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

20. Related parties

Holding company	Absa Group Limited
Subsidiaries	Absa Insurance Services Proprietary Limited 53
	Absa Securities Botswana Proprietary Limited
Group company	Absa Bank South Africa Limited

Absa Group Limited ("AGL") owns 67.82% of the ordinary shares of Absa Bank Botswana Limited and is the ultimate holding company. The rest are widely held on the Botswana Stock Exchange.

Subsidiaries

The Bank has two wholly owned subsidiaries Absa Insurance Services (Pty) Limited which is an insurance sales agent and Absa Securities Botswana (Pty) Limited, which is licensed as a security investment and market maker.

Group

2023

	Admin and management fees received P '000	Admin and management fees paid P '000	Interest received P '000	Interest paid P '000	Dividends paid P '000	Recoveries paid* P '000	Utilisation fees P '000
Shareholders							
Absa Group Limited	-	(100 723)	-	(43 777)	(314 586)	(422)	(30 914)
	–	**(100 723)**	**–**	**(43 777)**	**(314 586)**	**(422)**	**(30 914)**
Other							
Absa Bank Limited	-	-	70 253	-	-	2 283	-
Limited subsidiaries	-	-	-	-	-	712	-
	–	**–**	**70 253**	**–**	**–**	**2 995**	**–**

*The net recovery is an income of P2 573 thousand (refer note 11).

2022

	Admin and management fees received P '000	Admin and management fees paid P '000	Interest received P '000	Interest paid P '000	Dividends paid P '000	Recoveries paid* P '000	Utilisation fees P '000
Shareholders							
Absa Group Limited	-	(100 930)	-	(31 683)	(229 910)	(16)	(29 110)
	–	**(100 930)**	**–**	**(31 683)**	**(229 910)**	**(16)**	**(29 110)**
Other							
Absa Bank Limited	-	-	31 525	(3 519)	-	-	-
Limited subsidiaries	-	-	-	(437)	-	560	-
	–	**–**	**31 525**	**(3 956)**	**–**	**560**	**–**

*The net recovery is an income of P544 thousand (refer note 11).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

20. Related parties (continued)

Company

2023

	Admin and management fees received P '000	Admin and management fees paid P '000	Interest received P '000	Interest paid P '000	Dividends paid P '000	Recoveries paid* P '000	Utilisation fees P '000
Shareholders							
Absa Group Limited	-	(100 723)	-	(43 777)	(314 586)	(422)	(30 914)
	–	**(100 723)**	**–**	**(43 777)**	**(314 586)**	**(422)**	**(30 914)**
Other							
Absa Bank Limited	-	-	70 253	-	-	2 283	-
Limited subsidiaries	-	-	-	-	-	712	-
Absa Insurance	31 949	-	-	-	-	-	-
	31 949	**–**	**70 253**	**–**	**–**	**2 995**	**–**

*The net recovery is an income of P 2 573 thousand (refer note 11).

2022

	Admin and management fees received P '000	Admin and management fees paid P '000	Interest received P '000	Interest paid P '000	Dividends paid P '000	Recoveries paid* P '000	Utilisation fees P '000
Shareholders							
Absa Group Limited	-	(100 930)	-	(31 683)	(229 910)	(16)	(29 110)
	–	**(100 930)**	**–**	**(31 683)**	**(229 910)**	**(16)**	**(29 110)**
Other							
Absa Bank Limited	-	-	31 525	(3 519)	-	-	-
Limited subsidiaries	-	-	-	(438)	-	560	-
Absa Insurance	28 523	-	-	-	-	-	-
	28 523	**–**	**31 525**	**(3 957)**	**–**	**560**	**–**

*The net recovery is an income of P544 thousand (refer note 11).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

20. Related parties (continued)

Group

2023

	Current amounts receivable P '000	Loans to Related parties P '000	Total due from related parties P '000	Current amounts payable P '000	Deposits from Related parties P '000	Total due to Related parties P '000	Loans from Related parties -Subordinated Debt P '000
Shareholders							
Absa Group Limited	5 570	-	5 570	22 917	-	22 917	521 926
	5 570	**-**	**5 570**	**22 917**	**-**	**22 917**	**521 926**
Other related parties							
Absa Bank Limited		28 662	1 988 265	2 016 927	305 570	159 884	465 454
Other Absa Group Limited subsidiaries	3 400	-	3 400	15 116	-	15 116	
		32 062	**1 988 265**	**2 020 327**	**320 686**	**159 884**	**480 570**
Total		**37 632**	**1 988 265**	**2 025 897**	**343 603**	**159 884**	**503 487**

Derivatives included in Related party balances

	Assets P '000	Liabilities P '000
Absa Group Limited	88 635	1 646
	88 635	**1 646**

2022

	Current amounts receivable P '000	Loans to Related parties P '000	Total due from related parties P '000	Current amounts payable P '000	Deposits from Related parties P '000	Total due to Related parties P '000	Loans from Related parties -Subordinated Debt P '000
Shareholders							
Absa Group Limited	2 521	-	2 521	995	-	995	509 394
	2 521	**-**	**2 521**	**995**	**-**	**995**	**509 394**
Other related parties							
Absa Bank Limited	-	890 492	890 492	97 518	70 977	168 495	-
Other Absa Group Limited subsidiaries	2 326	696	3 022	7 806	20 346	28 152	-
	4 847	**891 188**	**896 035**	**106 319**	**91 323**	**197 642**	**509 394**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

20. Related parties (continued)

Derivatives included in Related party balances

	Assets P '000	Liabilities P '000
Absa Group Limited	104 052	7 713
	104 052	**7 713**

Company

2023

	Current amounts receivable P '000	Loans to Related parties P '000	Total due from related parties P '000	Current amounts payable P '000	Deposits from Related parties P '000	Total due to Related parties P '000	Loans from Related parties -Subordinated Debt P '000
Shareholders							
Absa Group Limited	5 570	-	5 570	22 917	-	22 917	521 926
	5 570	**-**	**5 570**	**22 917**	**-**	**22 917**	**521 926**
Other related parties							
Absa Bank Limited	28 662	1 988 265	2 016 927	305 570	159 884	465 454	-
Other Absa Group Limited subsidiaries	2 195	-	2 195	3 040	-	3 040	-
Absa Insurance Services	26 508	-	26 508	134 445	-	134 445	-
(subsidiary) Absa Securities	-	-	-	454	-	454	-
	57 365	**1 988 265**	**2 045 630**	**443 509**	**159 884**	**603 393**	**-**
Total	**62 935**	**1 988 265**	**2 051 200**	**466 426**	**159 884**	**626 310**	**521 926**

Derivatives included in Related party balances

	Assets P '000	Liabilities P '000
Absa Group Limited	88 635	1 646
	88 635	**1 646**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

20. Related parties (continued)

2022

	Current amounts receivable P '000	Loans to Related parties P '000	Total due from related parties P '000	Current amounts payable P '000	Deposits from Related parties P '000	Total due to Related parties P '000	Loans from Related parties -Subordinated Debt P '000
Shareholders							
Absa Group Limited	2 521	-	2 521	995	-	995	509 394
	2 521	**-**	**2 521**	**995**	**-**	**995**	**509 394**
Other related parties							
Absa Bank Limited	-	890 492	890 492	97 518	70 977	168 495	-
Other Absa Group Limited subsidiaries	809	696	1 505	1 591	18 952	20 543	-
Absa Insurance Services (subsidiary)	28 080	-	28 080	110 462	1 394	111 856	-
	31 410	**891 188**	**922 598**	**210 566**	**91 323**	**301 889**	**509 394**

Derivatives included in Related party balances

	Assets P '000	Liabilities P '000
Absa Group Limited	104 052	7 713
	104 052	**7 713**

Transactions with key management personnel

IAS 24 Related Party Disclosures ("IAS 24") requires the identification of key management personnel who are individuals responsible for planning directing and controlling the activities of the entity including directors. Key management personnel are defined as executive and non-executive directors and members of the Executive Committee ("Exco"). A number of banking transactions are entered into with key management personnel in the normal course of business under terms that are no more favorable than those arranged with other employees. These include loans deposits and foreign currency transactions.

Loans include mortgages asset finance transactions overdrafts and other credit facilities. Loans to key management personnel are provided on the same terms and conditions as loans to employees of the Group including interest rates and collateral requirements. No loans to key management personnel or entities controlled by key management personnel were written off as irrecoverable. These loans have been assessed for ECL provisions under IFRS 9.

The Group provides and utilises services of its holding company and other group entities providing and receiving loans overdrafts interest and non-interest-bearing deposits and current accounts to these entities as well as other services.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

The recharges and other costs are unsecured interest free and are repayable on demand. Current accounts, fixed deposits, loans and deposits held with the group are at normal commercial terms.

20. Related parties (continued)

The current amounts payable and receivable relate to management fees receivable and payable from related parties. The loans to and from related parties relate to current accounts and short-term fixed deposit accounts. These balances form part of the cash on hand on the Statement of cash flows. There were no impairment provisions that related to balances and transactions with related parties. In relation to subordinated debt with related parties, please refer to notes 34 for more details on terms and conditions not mentioned herein.

Other transactions

Sethunya Dorothy Makepe-Garebatho (a director) owns 100,000 (2022:100,000) shares which makes up approximately 0.012% of the Company's total shares. She is also a director and shareholder of Diamond Pipe Bar and Bottle store which owns 80,000 (2022: 80,000) shares which makes up approximately 0.009% of the Company's total shares. No other director has shares or transactions with the company.

The Group issues loans to staff at rates less than market value mortgages are issues to staff at Prime less 2.5% personal loans at Prime less and 2% and car loans at Prime less 2%. These loans are included the staff fair value model and disclosed in loans and advances to customers on the balance sheet.

Group and Company

2023

	Remuneration P '000	Pension contributions P '000	Share-based payments P '000	Interest received P '000	Interest paid P '000	Total Related P '000
Directors compensation						
Non-executive directors	(3 330)	-	-	-	-	(3 330)
Executive directors	(8 890)	(798)	(3 541)	279	(15)	(12 965)
	(12 220)	**(798)**	**(3 541)**	**279**	**(15)**	**(16 295)**
Key management compensation						
Key management	(29 183)	(1 944)	(1 977)	1 081	(23)	(32 046)
	(29 183)	**(1 944)**	**(1 977)**	**1 081**	**(23)**	**(32 046)**

2022

	Remuneration	**Pension contributions** P '000	**Share-based payments** P '000	**Interest received** P '000	**Interest paid** P '000	**Total Related** P '000
Directors compensation						
Non-executive directors	(3 140)	-	-	-	-	(3 140)
Executive directors	(8 101)	(701)	(2 290)	31	-	(11 061)
	(11 241)	**(701)**	**(2 290)**	**31**	**-**	**(14 201)**
Key management compensation						
Key management	(25 299)	(1 788)	(804)	67	-	(27 824)
	(25 299)	**(1 788)**	**(804)**	**67**	**-**	**(27 824)**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

21. Loans and advances to customers

	Group and Company	
	2023 P '000	2022 P '000
Mortgages	2 287 122	2 240 281
Personal and term loans	4 833 808	5 261 914
Credit cards	484 598	449 918
Instalment credit agreement	669 785	609 653
Overdrafts	1 923 375	1 304 098
Foreign currency loans	1 075 412	1 343 362
Scheme loans	5 900 555	5 750 841
Gross loans and advances to customers	**17 174 655**	**16 960 067**
Less: Expected credit losses		
Stage 3	(370 029)	(364 484)
Stage 2	(98 739)	(66 638)
Stage 1	(137 827)	(183 193)
Allowance for impairment	**(606 595)**	**(614 315)**
Net loans and advances to customers	**16 568 060**	**16 345 752**
Loans and advances to customers-sector analysis		
Private individual	11 642 471	11 227 640
Other financial institutions	690 051	933 731
Parastatals	348 182	104 613
Business	4 493 951	4 694 083
Total loans	**17 174 655**	**16 960 067**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

21. Loans and advances to customers (continued)

Expected credit losses – sector analysis

	Group and Company	
	2023 P '000	2022 P '000
Private individual		
Stage 3	(275 005)	(292 611)
Stage 2	(82 987)	(41 354)
Stage 1	(115 661)	(158 456)
Total	**(473 653)**	**(492 421)**
Other financial institutions		
Stage 2	(77)	(7)
Stage 1	(3 097)	(4 945)
Total	**(3 174)**	**(4 952)**
Parastatals		
Stage 2	-	(350)
Stage 1	-	(264)
Total	**-**	**(614)**
Business		
Stage 3	(96 115)	(71 873)
Stage 2	-	(24 927)
Stage 1	(33 653)	(19 528)
Total	**(129 768)**	**(116 328)**
Total expected credit losses	**(606 595)**	**(614 315**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

22. Credit risk reconciliation

Expected credit losses

Group and Company 2023

	Balances at the beginning of the reporting year P '000	Asset moved / Allowance transferred to stage 1 P '000	Asset moved / Allowance transferred to stage 2 P '000	Asset moved / Allowance transferred to stage 3 P '000	Current period provision /(reversal) P '000	Amounts written off P '000	Total P '000
Financial assets at fair value through OCI							
Stage 1	402	-	-	-	(274)	-	128
Total expected credit losses	**402**	**-**	**-**	**-**	**(274)**	**-**	**128**
Balances with central bank							
Stage 1	11	-	-	-	2	-	13
Total expected credit losses	**11**	**-**	**-**	**-**	**2**	**-**	**13**
Loans and advances to banks							
Stage 1	42	-	-	-	86	-	128
Total expected credit losses	**42**	**-**	**-**	**-**	**86**	**-**	**128**
Loans and advances to customers							
Stage 1	183 193	30 415	(22 414)	(8 001)	(45 366)	-	137 827
Stage 2	66 638	(5 172)	8 458	(3 286)	32 101	-	98 739
Stage 3	364 484	(2 315)	(21 762)	24 077	81 826	(76 281)	370 029
Total expected credit losses	**614 315**	**22 928**	**(35 718)**	**12 790**	**68 561**	**(76 281)**	**606 595**
Provisions for undrawn facilities and guarantees							
Stage 1	1 682	-	-	-	(1 654)	-	28
Stage 2	555	-	-	-	621	-	1 176
Stage 3	(172)	-	-	-	4 516	-	4 344
Total expected credit losses	**2 065**	**-**	**-**	**-**	**3 483**	**-**	**5 548**
Total expected credit losses	**616 835**	**22 928**	**(35 718)**	**12 790**	**71 858**	**(76 281)**	**612 412**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

22. Credit risk reconciliation (continued)

Movement in stages on loans and advances to customers relates to customer balances that would have defaulted during the period and therefore default in payment leading to stage movements for the increase in impairment in some stages, in some cases where the impairment reduced, these would have been driven by improved portfolio quality and model benefits for some corporate clients moving to lower stages. The gross impairment charge before recovery is P 76,560 thousand (refer note 8). The total write-off during the year amounts to P 76,281 thousand. Also refer to note 1.14 for accounting policy for curing of distressed assets.

2022

	Balances at the beginning of the reporting year P '000	Asset moved / Allowance transferred to stage 1 P '000	Asset moved / Allowance transferred to stage 2 P '000	Asset moved / Allowance transferred to stage 3 P '000	Current period provision /(reversal) P '000	Amounts written off P '000	Total P '000
Financial assets at fair value through OCI							
Stage 1	918	-	-	-	(516)	-	402
Total expected credit losses	**918**	**-**	**-**	**-**	**(516)**	**-**	**402**
Balances with central bank							
Stage 1	-	-	-	-	11	-	11
Total expected credit losses	**-**	**-**	**-**	**-**	**11**	**-**	**11**
Loans and advances to banks							
Stage 1	100	-	-	-	(58)	-	42
Total expected credit losses	**100**	**-**	**-**	**-**	**(58)**	**-**	**42**
Loans and advances to customers							
Stage 1	132 180	64 281	(3 223)	(2 718)	(7 327)	-	183 193
Stage 2	169 395	(60 117)	4 617	(27 914)	(19 343)	-	66 638
Stage 3	366 660	(4 164)	(1 394)	30 632	66 089	(93 339)	364 484
Total expected credit losses	**668 235**	**-**	**-**	**-**	**39 419**	**(93 339)**	**614 315**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

22. Credit risk reconciliation (continued)

	Asset at the beginning of the reporting year P '000	Asset moved / Allowance transferred to stage 1 P '000	Asset moved / Allowance transferred to stage 2 P '000	Current moved / Allowance transferred to stage 3 P '000	Amounts period provision /(reversal) P '000	Written off P '000	Total P '000
Provisions for undrawn facilities and guarantees							
Stage 1	6 486	-	-	-	(4 804)	-	1 682
Stage 2	772	-	-	-	(217)	-	555
Stage 3	-	-	-	-	(172)	-	(172)
Total expected credit losses	**7 258**	**-**	**-**	**-**	**(5 193)**	**-**	**2 065**
Total expected credit losses	**676 511**	**-**	**-**	**-**	**33 663**	**(93 339)**	**616 835**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

22. Credit risk reconciliation (continued)

Gross loans and advances to customers Group

2023

	Stage 1		Stage 2		Stage 3				
	Gross Carrying amount P '000	ECL P '000	Gross Carrying amount P '000	ECL P '000	Gross Carrying amount P '000	ECL P '000	Total Gross Carrying amount P '000	Total ECL P '000	Net Carrying amount P '000
Balance at 01 January 2023	14 947 359	(183 193)	1 342 149	(66 638)	670 559	(364 484)	16 960 067	(614 315)	16 345 752
New assets originated	4 963 768	46 651	125 151	28 509	38 519	24 973	5 127 438	100 133	5 227 571
Payments and assets derecognised	(4 547 155)	(256 414)	(253 937)	(24 892)	(111 758)	188 893	(4 912 850)	(92 413)	(5 005 263)
Transfer (from)/ to stage 1	3 218 055	30 415	(3 227 119)	(22 414)	9 064	(8 001)	-	-	-
Transfer (from)/ to stage 2	(57 417)	(5 172)	53 700	8 458	3 717	(3 286)	-	-	-
Transfer (from)/ to stage 3	52 257	(2 315)	(63 641)	(21 762)	11 384	24 077	-	-	-
Balance at 31 December 2023	**18 576 867**	**(370 028)**	**(2 023 697)**	**(98 739)**	**621 485**	**(137 828)**	**17 174 655**	**(606 595)**	**16 568 060**

2022

	Stage 1		Stage 2		Stage 3				
	Gross Carrying amount P '000	ECL P '000	Gross Carrying amount P '000	ECL P '000	Gross Carrying amount P '000	ECL P '000	Total Gross Carrying amount P '000	Total ECL P '000	Net Carrying amount P '000
Balance at 01 January 2022	13 274 078	(132 181)	1 656 017	(169 395)	662 461	(366 659)	15 592 556	(668 235)	14 924 321
New assets originated	3 357 935	(62 492)	125 073	(2 032)	145 426	(66 236)	3 628 434	(130 760)	3 497 674
Payments and assets derecognised	(1 749 661)	69 820	(68 174)	21 375	(443 088)	93 485	(2 260 923)	184 680	(2 076 243)
Transfer (from)/ to stage 1	(561 693)	(64 281)	350 912	60 117	210 781	4 164	-	-	-
Transfer (from)/ to stage 2	616 363	3 223	(722 110)	(4 617)	105 747	1 394	-	-	-
Transfer (from)/ to stage 3	10 337	2 718	431	27 914	(10 768)	(30 632)	-	-	-
Balance at 31 December 2022	**14 947 359**	**(183 193)**	**1 342 149**	**(66 638)**	**670 559**	**(364 484)**	**16 960 067**	**(614 315)**	**16 345 752**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
23. Other receivables*				
Financial				
Settlement accounts	47 517	39 865	47 517	39 865
Clearing accounts	-	23 782	-	23 782
Card transactions	102 133	45 512	102 133	45 512
Other receivables	41 431	19 427	40 099	15 058
Non-financial				
Prepayments	16 838	18 670	16 838	18 670
Staff fair value	72 796	37 988	72 796	37 988
Other receivables**	**280 715**	**185 244**	**279 383**	**180 875**

**Included in other receivables is an amount of P21 835million (2022: PNil 2021: Nil) due from Absa Bank limited this balance is in relation to a prepayment for services to be received in the 2024 financial year and is non-interest bearing.

Break up of current and non-current assets

	Group 2023	Group 2022	Company 2023	Company 2022
Current	208 256	153 894	206 924	149 525
Non-current	72 459	31 350	72 459	31 350
	280 715	**185 244**	**279 383**	**180 875**

24. Property, plant and equipment

Group and Company

	2023 Cost	Accumulated depreciation	Carrying value	2022 Cost	Accumulated depreciation	Carrying value
Buildings	300 115	(243 205)	56 910	308 260	(237 660)	70 600
Furniture and fixtures	124 008	(75 454)	48 554	102 721	(68 321)	34 400
Motor vehicles	21 965	(9 642)	12 323	11 281	(7 070)	4 211
IT equipment	181 541	(167 344)	14 197	170 735	(156 452)	14 283
Capital - Work in progress	4 866	-	4 866	-	-	-
Right of use assets	181 996	(130 083)	51 913	185 525	(99 522)	86 003
Total	**814 491**	**(625 728)**	**188 763**	**778 522**	**(569 025)**	**209 497**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

24. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group and Company

	Buildings	Furniture and fixtures	Motor vehicles	IT equipment	Right of use assets	Capital - Work in progress	Total
Cost							
At 01 January 2022	306 946	103 497	9 960	166 241	168 431	-	755 075
Additions	1 314	8 023	1 430	6 121	17 094	-	33 982
Disposals and scrappings	-	(8 799)	(109)	(1 627)	-	-	(10 535)
At 31 December 2022	**308 260**	**102 721**	**11 281**	**170 735**	**185 525**	**-**	**778 522**
Additions	431	27 887	10 684	10 806	-	4 866	54 674
Disposals and scrappings	(8 576)	(6 600)	-	-	-	-	(15 176)
Other changes movements*	-	-	-	-	(3 529)	-	(3 529)
At 31 December 2023	**300 115**	**124 008**	**21 965**	**181 541**	**181 996**	**4 866**	**814 491**
Depreciation and impairment							
At 01 January 2022	**(223 523)**	**(63 417)**	**(5 670)**	**(147 116)**	**(69 208)**	**-**	**(508 934)**
Disposals	-	8 799	109	1 627	-	-	10 535
Depreciation	(14 137)	(13 703)	(1 509)	(10 963)	(30 314)	-	(70 626)
At 31 December 2022	**(237 660)**	**(68 321)**	**(7 070)**	**(156 452)**	**(99 522)**	**-**	**(569 025)**
Disposals	8 576	6 600	-	-	-	-	15 176
Depreciation	(14 121)	(13 733)	(2 572)	(10 892)	(30 561)	-	(71 879)
At 31 December 2023	**(243 205)**	**(75 454)**	**(9 642)**	**(167 344)**	**(130 083)**	**-**	**(625 728)**

*Modification on inputs such as discounting factor for certain lease agreements lead to the above impact.

25. Intangible assets

Group and Company

	Software 2023 P '000	Software 2022 P '000
Cost		
Balance at the begining of the year	26 701	26 694
Transfer from PPE	15	7
Balance at the end of the year	**26 716**	**26 701**
Accumulated amortisation		
Balance at the begining of the year	(25 540)	(24 421)
Amortisation charge	(691)	(1 119)
Balance at the end of the year	**(26 231)**	**(25 540)**
Carrying amount at the end of the year	**485**	**1 161**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022

26. Deferred tax assets*

The net deferred tax asset at the end of the year is as follows:

	Group 2023	Group 2022	Company 2023	Company 2022
Deferred tax balances				
Deferred tax assets	106 779	104 132	105 509	102 328

Deferred tax assets and liabilities are attributable to the following:

Group

2023

	Balance at 1 January P '000	Recognised in profit or loss P '000	Recognised in OCI P '000	Balance at 31 December P '000
Property plant and equipment	11 406	(17 296)	-	(5 890)
Trading portfolio assets	(994)	(855)	-	(1 849)
Receivables	(4 108)	404	-	(3 704)
Expected credit losses	79 021	(2 917)	-	76 104
Other liabilities	12 093	33 740	-	45 833
Financial assets at fair value through OCI	6 714	(18 331)	5 627	(5 990)
Other	-	2 275	-	2 275
	104 132	**(2 980)**	**5 627**	**106 779**

2022

	Balance at 1 January P '000	Recognised in profit or loss P '000	Recognised in OCI P '000	Balance at 31 December P '000
Property plant and equipment	9 666	1 740	-	11 406
Trading portfolio assets	(3 362)	2 368	-	(994)
Receivables	(1 144)	(2 964)	-	(4 108)
Expected credit losses	95 361	(16 340)	-	79 021
Other liabilities	10 480	1 613	-	12 093
Financial assets at fair value through OCI	(3 214)	8 668	1 260	6 714
	107 787	**(4 915)**	**1 260**	**104 132**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

26. Deferred tax assets* (continued)

Company

2023

	Balance at 1 January P '000	Recognised in profit or loss P '000	Recognised in OCI P '000	Balance at 31 December P '000
Property plant and equipment	11 406	(17 296)	-	(5 890)
Trading portfolio assets	(993)	(855)	-	(1 848)
Receivables	(4 108)	404	-	(3 704)
Expected credit losses	79 002	(2 917)	-	76 085
Other liabilities	10 307	34 273	-	44 580
Financial assets at fair value through OCI	6 714	(18 330)	5 627	(5 989)
Other	-	2 275	-	2 275
	102 328	**(2 446)**	**5 627**	**105 509**

2022

	Balance at 1 January P '000	Recognised in profit or loss P '000	Recognised in OCI P '000	Balance at 31 December P '000
Property plant and equipment	9 666	1 740	-	11 406
Trading portfolio assets	(3 362)	2 369	-	(993)
Receivables	(1 144)	(2 964)	-	(4 108)
Expected credit losses	95 361	(16 359)	-	79 002
Other liabilities	8 014	2 293	-	10 307
Financial assets at fair value through OCI	(3 214)	8 668	1 260	6 714
	105 321	**(4 253)**	**1 260**	**102 328**

* Refer to restatement note 54.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

26. Deferred tax assets* (continued)

Reconciliation of deferred tax asset (expense movements)

Group

	2023			2022		
	Recognised in profit or loss P '000	Recognised in OCI P '000	Total movement P '000	Recognised in profit or loss P '000	Recognised in OCI P '000	Total movement P '000
Property plant and equipment	(17 296)	-	(17 296)	1 740	-	1 740
Trading portfolio assets	(855)	-	(855)	2 368	-	2 368
Receivables	404	-	404	(2 964)	-	(2 964)
Expected credit losses	(2 917)	-	(2 917)	(16 359)	-	(16 359)
Other liabilities	33 740	-	33 740	1 632	-	1 632
Financial assets at fair value through OCI	(18 331)	5 627	(12 704)	8 668	1 260	9 928
Other	2 275	-	2 275	-	-	-
	(2 980)	**5 627**	**2 647**	**(4 915)**	**1 260**	**(3 655)**

Company

	2023			2022		
	Recognised in profit or loss P '000	Recognised in OCI P '000	Total movement P '000	Recognised in profit or loss P '000	Recognised in OCI P '000	Total movement P '000
Property plant and equipment	(17 296)	-	(17 296)	1 740	-	1 740
Trading portfolio assets	(855)	-	(855)	2 369	-	2 369
Receivables	404	-	404	(2 964)	-	(2 964)
Expected credit losses	(2 917)	-	(2 917)	(16 359)	-	(16 359)
Other liabilities	34 273	-	34 273	2 293	-	2 293
Financial assets at fair value through OCI	(18 330)	5 627	(12 703)	8 668	1 260	9 928
Other	2 275	-	2 275	-	-	-
	(2 446)	**5 627**	**3 181**	**(4 253)**	**1 260**	**(2 993)**

* Refer to restatement note 54.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

		Group		Company	
	Figures in Pula thousand	2023	2022	2023	2022
27.	**Taxation***				
	Balance at beginning of the year	14 900	(15 140)	11 026	(16 585)
	Current tax recognised in profit or loss	(207 643)	(198 900)	(203 328)	(197 562)
	Tax paid	213 768	240 537	209 693	236 769
	Prior year under provision	(12 504)	(6 384)	(4 798)	(6 384)
	Fines and penalties (included in administrative and general expenses)	(2 806)	(5 213)	(2 806)	(5 212)
	Tax (payable)/refundable at the reporting date	**5 715**	**14 900**	**9 787**	**11 026**
	Reconciliation of tax paid				
	Payments during the year	213 768	240 537	209 693	236 769
	* Refer to restatement note 54.				
28.	**Deposits from banks**				
	Fixed deposits accounts	266 799	853 938	266 799	853 938
	Current accounts	160 722	48 964	160 722	48 964
		427 521	**902 902**	**427 521**	**902 902**

The fixed terms deposits are short term deposits due to banks with an average maturity period of 1- 3 months. The carrying amount of both fixed and current approximates its fair value.

		Group 2023	Group 2022	Company 2023	Company 2022
29.	**Customer deposits**				
	Cheque account deposits	5 281 593	4 540 171	5 281 593	4 540 171
	Savings and transmission accounts	5 857 147	5 727 440	5 857 147	5 727 440
	Fixed deposits accounts	7 561 058	6 737 221	7 561 058	6 737 221
	Customer deposits	**18 699 798**	**17 004 832**	**18 699 798**	**17 004 832**
	Interest bearing deposits	13 418 205	12 374 198	13 418 205	12 374 198
	Non- interest-bearing deposits	5 281 593	4 630 634	5 281 593	4 630 634
		18 699 798	**17 004 832**	**18 699 798**	**17 004 832**
	Maturity analysis				
	On demand	14 578 310	10 772 099	14 578 310	10 772 099
	Maturing within one year	3 554 875	5 680 082	3 554 875	5 680 082
	Maturing after one year	566 613	552 651	566 613	552 651
		18 699 798	**17 004 832**	**18 699 798**	**17 004 832**
	Category analysis of customer deposits				
	Pula	2 854 344	2 686 857	2 854 344	2 686 857
	Foreign currency	2 427 249	1 943 777	2 427 249	1 943 777
	Current account	**5 281 593**	**4 630 634**	**5 281 593**	**4 630 634**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

29. Customer deposits (Continued)

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
Pula	5 407 955	5 028 689	5 407 955	5 028 689
Foreign currency	449 192	698 751	449 192	698 751
Savings account	**5 857 147**	**5 727 440**	**5 857 147**	**5 727 440**
Pula	7 298 428	6 445 869	7 298 428	6 445 869
Foreign currency	262 630	200 889	262 630	200 889
Term deposits	**7 561 058**	**6 646 758**	**7 561 058**	**6 646 758**
	18 699 798	**17 004 832**	**18 699 798**	**17 004 832**
Sector analysis of customer deposits				
Private individuals	5 901 008	4 800 610	5 901 008	4 800 610
Other financial institutions	6 486 643	5 441 515	6 486 643	5 441 515
Parastatals	1 584 811	1 654 970	1 584 811	1 654 970
Business	3 892 800	4 412 185	3 892 800	4 412 185
Local government	830 937	677 958	830 937	677 958
Central government	3 599	17 594	3 599	17 594
	18 699 798	**17 004 832**	**18 699 798**	**17 004 832**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Figures in Pula thousand	Group 2023	Group 2022	Company 2023	Company 2022
30. Other payables*				
Financial liabilities				
Trade payables	1 737	8 456	1 739	9 092
Lease liability	63 537	99 593	63 537	99 593
Accrued expenses	60 234	35 841	60 184	31 767
Settlement accounts	68 788	110 469	68 788	110 469
Card transactions	69 341	44 471	69 341	44 471
Clearing accounts	71 111	6 656	71 111	6 656
Other payables	30 299	20 680	27 701	20 718
Non-financial liabilities				
Staff related accruals	68 595	53 280	68 595	53 280
Withholding tax	28 336	27 011	28 336	27 011
Value added taxation	9 140	16 328	8 320	15 464
Cash-settled share-based payments**	2 538	-	2 538	-
Total	**473 656**	**422 785**	**470 190**	**418 521**

* Refer to restatement note 54.

**The intrinsic value of the liability closley approximates the carrying amount.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

31. Lease liabilities

The Group leases a number of branch and office premises, in addition a number of ATMs and residential premises. The leases typically run for an average lease term of 5 years, with an option to renew the lease as and when the entity deems fit. Some leases provide for additional rent payments that are based on changes in local price indices.

Right of use assets relate to leased branch and office premises, lease ATMs and residential premises that are presented within property plant and equipment (refer to note 24).

Leases as lessee

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
Movement in lease liability				
Opening balance	99 593	109 959	99 593	109 959
New leases	-	7 104	-	7 104
Modifications	-	12 811	-	12 811
Interest expense	4 648	5 495	4 648	5 495
Payment of capital	(36 056)	(30 281)	(36 056)	(30 281)
Payment of interest	(4 648)	(5 495)	(4 648)	(5 495)
	63 537	**99 593**	**63 537**	**99 593**
Maturity analysis of lease liabilities				
Less than one year	8 660	7 159	8 660	7 159
Between one and two years	9 920	23 875	9 920	23 875
Between two and three years	10 762	15 355	10 762	15 355
Between three and four years	17 874	13 691	17 874	13 691
Between four and five years	-	22 204	-	22 204
More than five years	16 321	17 309	16 321	17 309
	63 537	**99 593**	**63 537**	**99 593**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

32. Provisions

Group 2023

Reconciliation of provisions

	Balance at 01 January 2023 P'000	Provisions recognised during the year P'000	Provisions paid/released during the year P'000	Balance at 31 December 2023 P'000
Retrenchment costs	-	91 000	-	91 000
Fees refundable	10 181	-	-	10 181
Litigation	3 482	100	(3 111)	471
Commission refundable	8 201	8 485	(10 912)	5 774
Provision for undrawn facilities and guarantees	2 066	24 294	(20 812)	5 548
	23 930	**123 879**	**(34 835)**	**112 974**

Group 2022

Reconciliation of provisions

	Balance at 01 January 2022 P'000	Provisions recognised during the year P'000	Provisions paid during the year P'000	Balance at 31 December 2022 P'000
Fees refundable	10 181	-	-	10 181
Litigation	3 482	-	-	3 482
Commission refundable	11 207	8 082	(11 088)	8 201
Provision for undrawn facilities and guarantees	7 258	8 691	(13 883)	2 066
	32 128	**16 773**	**(24 971)**	**23 930**

*In prior year, there was classification error where provisons paid during the year were titled as provisions recognised during the year while provisions recognised during the year were titled as provisions paid during the year.

Company 2023

Reconciliation of provisions

	Balance at 01 January 2023 P'000	Provisions recognised during the year P'000	Provisions paid during the year P'000	Balance at 31 December 2023 P'000
Retrenchment costs	-	91 000	-	91 000
Fees refundable	10 181	-	-	10 181
Litigation	3 481	100	(3 111)	470
Provision for undrawn facilities and guarantees	2 066	24 294	(20 811)	5 549
	15 728	**115 394**	**(23 922)**	**107 200**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

32. Provisions (continued)

Company 2022

Reconciliation of provisions

	Provisions Balance at 01 January 2022 P'000	Provisions recognised during the year P'000	Provisions paid during the year P'000	Balance at 31 December 2022 P'000
Fees refundable	10 181	-	-	10 181
Litigation	3 481	-	-	3 481
Provision for undrawn facilities and guarantees	7 258	8 691	(13 883)	2 066
	20 920	**8 691**	**(13 883)**	**15 728**

Provisions have been raised on financial guarantees, letters of credit and undrawn committed facilities which is in line with the requirements of IFRS 9 Refer to note 22 for the ECL movements of the provision for undrawn facilities and guarantees.

Fees refundable relates to a provision raised as a result of Optional Issuer fees charged to customers in prior years. The bank will continue with its efforts to identify and refund this to the relevant customers as per the Bank of Botswana directive to refund all customers affected. Any amount outstanding at that point will be treated as unclaimed funds accordingly and be remitted to Bank of Botswana.

Litigation provision relates to various matters which are before the courts. The provision taken is on matters that are probable and material to the financial statements.

Commission refundable relates to a provision for Absa Insurance Services (Pty) Ltd as a result of policy surrenders by customers should the loans be early settled. Provision for undrawn facilities and guarantees arises from estimated credit losses on off balance sheet exposures as a result of the application of IFRS 9: Financial Instruments as well as expected credit losses on letters of credit qualifying as on balance sheet as per The Uniform Customs & Practice for Documentary Credits (UCP 600) rules.Letters of credit that are recognised on balance sheet would form part of the loans and advances balance to customers, ECL on those is included there. For letters of credit for which no complying presentation of documents has been provided, these are seen as loan commitments (i.e. off-balance sheet exposures) for which ECL on these items would be included in our provisions balance.

Retrenchment costs relates to expenses expected to be incurred by the Bank post lay off of employees due to downsizing. These costs include severance packages, outplacement services, retraining and other allowances. These costs are to be incurred by the business during the month of January 2024.

All the provisions are current in nature and there is no discounting impact.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

33. Debt securities in issue

	Group 2023 P '000	Group 2022 P '000	Company 2023 P '000	Company 2022 P '000
Floating rate medium term note	625 567	585 827	625 567	585 827

In 2014 the Bank established a floating rate debt securities product placed with institutional investors. These comprise of various maturities and interest rates that are linked to market reference rates. In 2023 the Bank issued new notes with nominal value of P365million (2022: P423million) and redeemed notes with nominal a value P324million (2022: P179million).

Group and Company

2023

Issuance date	Principal P '000	Balance P '000	Reference rate %	Spread %	All in rate %	Interest basis	Redemption date	Stock code
09/05/2019	2,000	2,018	2.65%	3.60%	6.25%	Floating	10/05/2024	Unlisted
03/06/2019	3,000	3,013	2.65%	3.60%	6.25%	Floating	03/06/2024	Unlisted
25/06/2019	1,500	1,501	2.40%	3.60%	6.00%	Floating	24/06/2024	Unlisted
28/06/2019	4,200	4,202	2.40%	3.60%	6.00%	Floating	28/06/2024	Unlisted
01/11/2019	6,000	6,063	2.65%	3.60%	6.25%	Floating	01/11/2024	Unlisted
27/01/2020	2,000	2,055	2.65%	3.60%	6.25%	Floating	27/01/2025	Unlisted
29/01/2020	1,000	1,027	2.65%	3.60%	6.25%	Floating	29/01/2025	Unlisted
05/02/2020	5,000	5,129	2.65%	3.60%	6.25%	Floating	05/02/2025	Unlisted
02/03/2020	2,500	2,552	2.65%	3.60%	6.25%	Floating	03/03/2025	Unlisted
02/04/2020	3,000	3,047	2.65%	3.60%	6.25%	Floating	02/04/2025	Unlisted
08/04/2020	3,000	3,044	2.65%	3.60%	6.25%	Floating	08/04/2025	Unlisted
05/06/2020	7,000	7,033	2.65%	3.60%	6.25%	Floating	04/06/2025	Unlisted
21/12/2021	13,100	13,137	2.40%	6.20%	8.60%	Floating	17/12/2024	Unlisted
05/09/2022	100,000	102,641	-%	-%	8.00%	Fixed	06/09/2027	Unlisted
05/09/2022	100,000	102,526	2.65%	5.00%	7.65%	Floating	06/09/2027	Unlisted
07/02/2023	7,250	7,321	2.65%	3.85%	6.50%	Floating	07/02/2024	Unlisted
07/02/2023	650	657	2.65%	3.85%	6.50%	Floating	07/02/2024	Unlisted
28/07/2023	11,000	11,141	2.65%	4.70%	7.35%	Floating	29/07/2024	Unlisted
18/08/2023	58,000	58,464	2.65%	4.35%	7.00%	Floating	19/08/2024	Unlisted
07/12/2023	33,000	33,141	-%	-%	6.50%	Fixed	05/12/2024	Unlisted
08/12/2023	47,400	47,628	-%	-%	7.00%	Fixed	08/12/2025	ABBSF01
11/12/2023	88,200	88,702	-%	-%	8.30%	Fixed	06/12/2028	ABB021
13/12/2023	28,000	28,093	-%	-%	6.50%	Fixed	11/12/2024	Unlisted
22/12/2023	81,300	81,426	-%	-%	6.50%	Fixed	20/12/2024	Unlisted
27/12/2023	10,000	10,006	-%	-%	6.38%	Fixed	27/03/2024	Unlisted
	618,100	**625,567**						

There were no defaults on the above debt securities during the year.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

33. Debt securities in issue (continued)

Group and Company 2022

Issuance date	Principal P '000	Balance P '000	Reference rate %	Spread %	All in rate %	Interest basis	Redemption date	Stock code
14/11/2018	97,410	98,227	2.65%	3.86%	6.51%	Floating	14/11/2023	Listed
09/05/2019	2,000	2,018	2.65%	3.60%	6.25%	Floating	10/05/2024	Unlisted
03/06/2019	3,000	3,013	2.65%	3.60%	6.25%	Floating	03/06/2024	Unlisted
24/06/2019	1,500	1,501	2.65%	2.10%	4.75%	Floating	24/06/2024	Unlisted
28/06/2019	4,200	4,202	2.40%	3.60%	6.00%	Floating	28/06/2024	Unlisted
01/11/2019	6,000	6,062	2.65%	3.60%	6.25%	Floating	01/11/2024	Unlisted
27/01/2020	2,000	2,054	2.65%	3.60%	6.25%	Floating	27/01/2025	Unlisted
29/01/2020	1,000	1,027	2.65%	3.60%	6.25%	Floating	29/01/2025	Unlisted
05/02/2020	5,000	5,127	2.65%	3.60%	6.25%	Floating	05/02/2025	Unlisted
02/03/2020	2,500	2,551	2.65%	3.60%	6.25%	Floating	03/03/2025	Unlisted
02/04/2020	3,000	3,046	2.65%	3.60%	6.25%	Floating	02/04/2025	Unlisted
08/04/2020	3,000	3,042	2.65%	3.60%	6.25%	Floating	08/04/2025	Unlisted
05/06/2020	7,000	7,031	2.65%	3.60%	6.25%	Floating	04/06/2025	Unlisted
05/06/2020	3,000	3,013	2.65%	3.60%	6.25%	Floating	05/06/2023	Unlisted
21/12/2021	13,100	13,134	2.40%	6.20%	8.60%	Floating	17/12/2024	Unlisted
09/03/2022	47,000	48,154	2.65%	6.16%	8.81%	Floating	06/09/2023	Unlisted
14/04/2022	64,200	64,463	2.65%	6.16%	8.81%	Floating	14/04/2023	Unlisted
09/05/2022	100,000	102,683	-%	-%	8.00%	Fixed	09/06/2027	Unlisted
28/06/2022	5,000	5,003	2.65%	4.20%	6.85%	Floating	28/06/2023	Unlisted
21/07/2022	19,000	19,292	2.65%	5.25%	7.90%	Floating	21/07/2023	Unlisted
27/07/2022	5,000	5,067	2.65%	4.85%	7.50%	Floating	21/07/2023	Unlisted
05/08/2022	8,000	8,089	2.65%	4.85%	7.50%	Floating	07/08/2023	Unlisted
12/08/2022	18,000	18,168	2.65%	4.60%	7.25%	Floating	14/08/2023	Unlisted
17/08/2022	7,000	7,061	2.65%	4.55%	7.20%	Floating	17/08/2023	Unlisted
05/09/2022	100,000	102,452	2.65%	5.00%	7.65%	Floating	06/09/2027	Unlisted
07/09/2022	4,200	4,219	2.65%	4.35%	7.00%	Floating	07/09/2023	Unlisted
27/09/2022	6,000	6,003	2.65%	3.00%	5.65%	Floating	27/09/2023	Unlisted
15/11/2022	40,000	40,125	2.65%	4.50%	7.15%	Floating	15/11/2023	Unlisted
	577,110	**585,827**						

As at group there were no defaults on the above debt securities.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

34. Subordinated Debt

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
Absa Group Limited BWP	268,741	255,641	268,741	255,641
Medium Term Programme (Third parties)	103,604	103,582	103,604	103,582
Absa Group Limited USD	253,142	253,753	253,142	253,753
	625,487	**612,976**	**625,487**	**612,976**

Particulars	Initial call date	Interest rate	Maturity	Details
Subordinated debt from Absa Group Limited	2022/02/21	7.46%	2032/01/21	Interest rate at 4.81% plus Monetary Policy Rate effective April 2023.
Subordinated debt issued through medium term program – third party	2018/11/15	7.51%	2028/11/14	Interest rate at 4.86% plus Monetary Policy Rate effective April 2023.
Subordinated debt from Absa Group Limited	2020/03/18	7.47%	2025/11/18	Interest rate at 2.96% plus 3-month SOFR effective December 2023. Previously it was at Absa Group Limited rate plus 3-month Libor (Variable).

35. Stated capital

Authorised				
852 161 250 Ordinary shares of no par value	852 161 250	852 161 250	852 161 250	852 161 250

Every shareholder shall have one vote for every share held. All dividends shall be declared and paid to the members in proportion to the shares held by them respectively.

Reconciliation of number of shares issued:				
Reported as at 01 January	852 161 250	852 161 250	852 161 250	852 161 250
Issued and fully paid up				
Ordinary	17 108	17 108	17 108	17 108

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

36. Reserves

All reserves are shown net of deferred tax where applicable.

Share capital reserve

The share capital reserve is a contingency reserve set aside by the Group and is non - distributable.

General risk reserve

The general risk reserve comprises of the following:

- A general risk reserve for the bank which was created in accordance with previous requirement of the regulator, Bank of Botswana, to hold a general risk reserve limited to a maximum of 1.25% of the Bank's credit risk weighted assets. This requirement is no longer applicable as expected credit losses held under IFRS 9 requirements exceed this threshold and no transfer has been made in the current or previous year. The Group is awaiting confirmation from the regulator on whether to release the reserve. The Group treats the reserve as non-distributable reserve (NDR).
- A reserve relating to Absa Insurance Services (Pty) Ltd that was created in accordance with the requirement of the regulator, Non-Bank Financial Institutions Regulatory Agency, to maintain a minimum capital target which shall be the higher of P30 000 or 4% of annual income or 25% of operating expenses.

Retained earnings

The retained earnings comprise the cumulative total profit recognised from inception (reduced by any amounts transferred to as separate reserve) and reduced by dividends paid to date.

Fair value reserve

The fair value reserve comprises only the cumulative net change in the fair value of debt instruments measured at FVOCI until such time as they are derecognised. Upon derecognition of debt instruments measured at FVOCI the cumulative amount recognised in other comprehensive income is released to profit or loss. Since the cumulative net change in the fair value of equity instruments designated as at FVOCI is not recycled to profit or loss upon derecognition the Group recognises the cumulative net change in fair value of these instruments in retained earnings.

Share based payment reserve

The reserve comprises the credit to equity for equity-settled share-based payment arrangements in terms of IFRS 2. The standard requires that the expense be charged to the profit and loss component of the statement of comprehensive income while a credit needs to be raised against equity over the vesting period (i.e., the period between the allocation date and the date on which employees will become entitled to their options). When options are exercised the reserve related to the specific options is transferred to share capital and/or share premium. If the options lapse after vesting the related reserve is transferred to retained earnings. If the options lapse before vesting the related reserve is reversed through the profit and loss component of the statement of comprehensive income.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

37. Cash used in operations*

	Group		Company	
	P '000	P '000	P '000	P '000
Profit after taxation	624 570	658 879	613 025	642 977
Adjustments for non-cash items:				
Taxation	206 071	203 814	201 222	201 814
Net Interest income	(1 400 434)	(1 186 757)	(1 400 434)	(1 186 757)
Gain on disposal of property plant and equipment	(7 697)	(568)	(7 697)	(568)
Net gain arising on foreign exchange gains and losses	4 327	(526)	4 327	(526)
Net gain arising on financial assets measured at fair value through profit or loss	-	(4 065)	-	(4 065)
Expected credit losses	78 815	33 663	78 815	33 663
Depreciation	71 879	70 626	71 879	70 626
Amortisation	689	1 119	689	1 119
Cash-settled share-based payments	2 538	178	2 538	178
Equity-settled share-based payments	6 990	5 130	6 990	5 130
Changes in working capital:				
Increase (decrease) in provisions	85 561	(4 265)	87 989	(1 259)
(Increase) decrease in amounts owing to related parties	305 845	(74 397)	324 421	(74 397)
(Increase) decrease in other receivables	(95 471)	(64 653)	(98 508)	(62 183)
Increase (decrease) in other payables	96 437	(5 308)	89 529	(7 765)
	(19 880)	**(367 130)**	**(25 215)**	**(382 013)**

38. Interest received

Interest income as per profit and loss	2 034 539	1 628 059	2 034 539	1 628 059
Accrued interest movement	(10 420)	4 421	(10 420)	4 421
	2 024 119	**1 632 480**	**2 024 119**	**1 632 480**

39. Interest paid

Interest expense as per profit and loss	(634 105)	(441 302)	(634 105)	(441 302)
Accrued interest movement	11 261	3 342	11 261	3 342
	(622 844)	**(437 960)**	**(622 844)**	**(437 960)**

40. Dividends paid

Prior year final dividend paid during the year	342 000	236 000	342 000	236 000
Interim dividend paid	123 000	103 000	123 000	103 000
	465 000	**339 000**	**465 000**	**339 000**

Dividend paid per share for the year is 55 Thebe (2022 : 40 Thebe). Proposed dividend per share for the year is 44 Thebe (2022 : 40 Thebe).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

	Group		Company	
	P '000	P '000	P '000	P '000
41. Cash and cash equivalents				
Current accounts	1 645	4 604	1 645	4 604
Standing deposits	752 000	66 011	752 000	66 011
Cash	753 276	668 813	753 276	668 813
Loans and advances to banks	763 975	1 519 166	763 975	1 519 166
Bank of Botswana notes	1 048 751	1 196 694	1 048 751	1 196 694
Loans and advances to related parties	1 988 265	891 188	1 988 265	891 188
Primary reserve requirement	394 000	-	394 000	-
	5 701 912	**4 346 476**	**5 701 912**	**4 346 476**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

42. Changes in liabilities arising from financing activities

Group and Company 2023
Reconciliation of liabilities arising from financing activities

Figures in Pula thousand	Opening balance	Issuance	other non-cash movements	Total movements	Redemption	Closing balance
Debt securities	585 827	364 800	(1 250)	363 550	(323 810)	625 567
Total liabilities from financing activities	**585 827**	**364 800**	**(1 250)**	**363 550**	**(323 810)**	**625 567**

Group and Company 2022
Reconciliation of liabilities arising from financing activities

Figures in Pula thousand	Opening balance	Issuance	Total movements	Redemption	Closing balance
Debt securities	341 078	423 400	423 400	(178 651)	585 827
Total liabilities from financing activities	**341 078**	**423 400**	**423 400**	**(178 651)**	**585 827**

The subordinated debt movement for the years in 2022 and 2023 is related to foreign exchange and accrued interest movements, which are non-casflow items.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

43. Financial instruments

Categories of financial instruments

Categories of financial assets

Group - 2023 (P '000)

	Note(s)	Fair value OCI - Debt instruments	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Due from related parties	20	-	-	2 025 897	-	2 025 897
Loans and advances to customers	21	-	-	16 568 060	-	16 568 060
Trading portfolio assets	16	-	191 177	-	-	191 177
Financial assets at fair value through OCI	18	2 464 895	-	-	-	2 464 895
Derivatives	17	-	103 452	-	-	103 452
Other assets	23	-	-	191 081	395 427	586 508
Cash	14	-	-	753 276	-	753 276
Balances at central bank	15	-	-	1 147 632	-	1 147 632
Loans and advances to banks	19	-	-	763 847	-	763 847
Total		**2 464 895**	**294 629**	**21 449 793**	**395 427**	**24 604 744**

Group - 2022 (P '000)

	Note(s)	Fair value OCI - Debt instruments	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Due from related parties	20	-	-	896 035	-	896 035
Loans and advances to customers	21	-	-	16 345 752	-	16 345 752
Trading portfolio assets	16	-	80 791	-	-	80 791
Financial assets at fair value through OCI	18	2 491 369	-	-	-	2 491 369
Derivative financial instruments	17	-	129 992	-	-	129 992
Other assets	23	-	-	128 586	386 348	514 934
Cash	14	-	-	668 813	-	668 813
Balances at central bank	15	-	-	70 604	-	70 604
Loans and advances to banks	19	-	-	1 519 124	-	1 519 124
Total		**2 491 369**	**210 783**	**19 628 914**	**386 348**	**22 717 414**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

43. Financial instruments (continued)

Company - 2023 (P '000)

	Note(s)	Fair value OCI - Debt instruments	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Due from related parties	20	-	-	2 051 200	-	2 051 200
Loans and advances to customers	21	-	-	16 568 060	-	16 568 060
Trading portfolio assets	16	-	191 177	-	-	191 177
Financial assets at fair value through OCI	18	2 464 895	-	-	-	2 464 895
Derivative financial instruments	17	-	103 452	-	-	103 452
Other assets	23	-	-	189 749	394 178	583 927
Cash	14	-	-	753 276	-	753 276
Balances at central bank	15	-	-	1 147 632	-	1 147 632
Loans and advances to banks	19	-	-	763 847	-	763 847
Total		**2 464 895**	**294 629**	**21 473 764**	**394 178**	**24 627 466**

Company - 2022 (P '000)

	Note(s)	Fair value OCI - Debt instruments	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Due from related parties	20	-	-	922 598	-	922 598
Loans and advances to customers	21	-	-	16 345 752	-	16 345 752
Trading portfolio assets	16	-	80 791	-	-	80 791
Financial assets at fair value through OCI	18	2 491 369	-	-	-	2 491 369
Derivative financial instruments	17	-	129 992	-	-	129 992
Other assets	23	-	-	124 217	380 670	504 887
Cash	14	-	-	668 813	-	668 813
Balances at central bank	15	-	-	70 604	-	70 604
Loans and advances to banks	19	-	-	1 519 124	-	1 519 124
Total		**2 491 369**	**210 783**	**19 651 108**	**380 670**	**22 733 930**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

43. Financial instruments (continued)

Group 2023 (P '000)

	Note(s)	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Other liabilities	30	-	365 047	225 634	590 681
Due to related parties	20	-	503 487	-	503 487
Subordinated debt	34	-	625 487	-	625 487
Derivative financial instruments	17	96 040	-	-	96 040
Customer deposits	29	-	18 699 798	-	18 699 798
Deposits from banks	28	-	427 521	-	427 521
Debt securities in issue	33	-	625 567	-	625 567
Total		**96 040**	**21 246 907**	**225 634**	**21 568 581**

Group 2022 (P '000)

	Note(s)	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Other liabilities	30	-	326 166	120 549	446 715
Due to related parties	20	-	197 642	-	197 642
Subordinated debt	34	-	612 976	-	612 976
Derivative financial instruments	17	115 113	-	-	115 113
Customer deposits	29	-	17 004 832	-	17 004 832
Deposits from banks	28	-	902 902	-	902 902
Debt securities in issue	33	-	585 827	-	585 827
Total		**115 113**	**19 630 345**	**120 549**	**19 866 007**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

43. Financial instruments (continued)

Company 2023 (P '000)

	Note(s)	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Other liabilities	30	-	362 401	214 989	577 390
Due to related parties	20	-	626 310	-	626 310
Subordinated debt	34	-	625 487	-	625 487
Derivative financial instruments	17	96 040	-	-	96 040
Customer deposits	29	-	18 699 798	-	18 699 798
Deposits from banks	28	-	427 521	-	427 521
Debt securities in issue	33	-	625 567	-	625 567
Total		**96 040**	**21 367 084**	**214 989**	**21 678 113**

Company 2022 (P '000)

	Note(s)	Fair value through profit/loss - Mandatory	Amortised cost- Debt Instruments	Outside the scope of IFRS 9	Total assets
Other liabilities	30	-	322 766	111 483	434 249
Due to related parties	20	-	301 889	-	301 889
Subordinated debt	34	-	612 976	-	612 976
Derivative financial instruments	17	115 113	-	-	115 113
Customer deposits	29	-	17 004 832	-	17 004 832
Deposits from banks	28	-	902 902	-	902 902
Debt securities in issue	33	-	585 827	-	585 827
Total		**115 113**	**19 731 192**	**111 483**	**19 957 788**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management

Capital risk management

The Group manages its capital at group level considering both regulatory and economic capital. The Group's lead regulator Bank of Botswana sets and monitors capital requirements for the Group. The Group is required to comply with the provisions of the Basel II framework in respect of regulatory capital. The Group has adopted the standardised and basic indicator approaches to credit and operational risk management respectively. The Group calculates requirements for market risk in its trading and banking portfolios based upon the Group's value at risk (VaR) models. Banking operations are categorised as either trading book or banking book and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statement of financial position. The Group's policy is to maintain a strong capital base so as to ensure investor creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The Group has complied with all externally imposed capital requirements throughout the year in line with the Directive on the Revised International Convergence Of Capital Measurement and Capital Standards For Botswana) (Basel II) (issue date September 8 2015 and effective 1 January 2016).

Tier 1: comprising mainly shareholders' funds is the highest tier.

Tier 2: includes perpetual medium and long term subordinated debt general provisions for bad and doubtful debts as well as property and equipment revaluation reserves.

Both tiers can be used to meet trading and banking activity requirements although Tier 2 capital included in the risk asset ratio calculation may not exceed Tier 1 capital. The Bank of Botswana has set the individual minimum capital ratio requirements for banks in Botswana at 12.5% (2022: 12.5%) which is above the Basel Committee minimum guideline of 8%. The Group has complied with all externally imposed capital requirements through the year.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Capital risk management (continued)

Tier 1 Capital	Group and company 2023 P '000	Group and company 2022 P '000
Stated capital	8 522	8 523
Share premium	8 586	8 586
Share capital reserve	2 060	2 060
General risk reserve	126 989	126 864
Other reserves	5 159	(20 027)
Retained earnings	2 884 847	2 725 402
Less: Intangible assets	(485)	(1 161)
Total Tier 1 Capital	**3 035 678**	**2 850 247**
Tier 2 Capital		
Subordinated redeemable debt	600 035	607 596
Unencumbered general provisions	205 399	185 228
Total Tier 2 Capital	**805 434**	**792 824**
Total regulatory capital	**3 841 112**	**3 643 071**
Risk weighted assets		
Credit Risk weighted assets	16 431 887	14 818 250
Market risk weighted assets	312 001	334 470
Operational risk weighted assets	1 825 861	1 671 574
Total risk weighted assets	**18 569 749**	**16 824 294**
Capital adequacy ratio	**20.68 %**	**21.65 %**

Tier 1 (or core) capital ratio (Basel Committee guide: minimum 4%) was 16.34% at year-end (2022: 17.24%).

Risk management processes

The Group's approach is to provide direction on:

- understanding the principal risks to achieving Group strategy;
- establishing risk appetite; and
- establishing and communicating the risk management framework.

The process is then broken down into five steps: identify, assess, control, report and manage/challenge. Each of these steps is broken down further, to establish end-to-end activities within the risk management process and the infrastructure needed to support it.

Steps and Activities are:

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

Identify

- Establish the process for identifying and understanding business-level risks.

Assess

- Agree and implement measurement and reporting standards and methodologies.

Control

- Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements.
- Monitor the operation of the controls and adherence to risk direction and limits.
- Provide early warning of control or appetite breaches.
- Ensure that risk management practices and conditions are appropriate for the business environment

Report

- Interpret and report on risk exposures, concentrations and risk-taking outcomes.
- Interpret and report on sensitivities and Key Risk Indicators.
- Communicate with external parties.

Manage and challenge

- Review and challenge all aspects of the Bank's risk profile.
- Assess new risk-return opportunities.
- Advise on optimising the Bank's risk profile.
- Review and challenge risk management practices.

Market risk is the risk of a reduction in the Group's earnings or capital due to:

Traded market risk

The risk of the Group being impacted by changes in the level or volatility of market rates or prices. This includes changes in interest rates, inflation rates, credit spreads, property prices, commodity prices, equity and bond prices and foreign exchange levels.

Non-traded market risk

The risk of the Group being exposed to interest rate risk arising from loans, deposits and similar instruments held for longer term strategic purposes rather than for the purpose of profiting from changes in interest rates.

Market risk exposure arises from equity commodity investments (listed or unlisted), loans or deposits that are interest bearing, any assets and liabilities in foreign currencies, or any investments in tradable securities, indices, etc.

The Group's market risk management objectives include: the protection and enhancement of the statement of financial position and statement of comprehensive income and facilitating business growth within a controlled and transparent risk management framework.

Market risk

Market risk measurement

The techniques used to measure and control market risk include:

- Daily value at risk (DVaR)
- Stress tests

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

- Stop loss

44. Risk management (continued)

Daily value at risk (DVar)

DVar is an estimate of the potential loss which might arise from unfavourable market movements if the current positions were to be held unchanged for one business day.

The Group uses an internal DVaR model based on the historical simulation method to derive the quantitative market risk measures under normal conditions. The DVaR model utilises a two-year data history of unweighted historical price and rate data and a holding period of one day with a confidence interval of 95%. This internal model is also used for measuring VaR over both a one-day and a 10- day holding period at a 99% confidence level (Stressed VaR). The Var model however has a limitation of assuming normal conditions. To complement it; tail metrics stress testing and other sensitivity measures are used.

Stress tests

Stress tests provide an indication of the potential size of the losses that could arise in extreme conditions. If the potential losses exceed the trigger limit the positions captured by the stress test are reviewed by Assets and Liabilities Committee (ALCO).

Stop loss

Stop loss policy has been instituted incorporating a 'management trigger level' at USD100, 000. If this trigger level is reached then all open positions must be closed immediately so as to protect the Group against any further exchange rate losses.

Analysis of traded market risk exposures

Group

2023

12 months to 31 December 2023	Average P '000	High P '000	Low P '000
Interest rate risk	589	871	377
Foreign currency risk	662	1,501	144
	1 251	**2 372**	**521**

2022

12 months to 31 December 2022	Average P '000	High P '000	Low P '000
Interest rate risk	225	480	61
Foreign currency risk	621	1,083	61
	846	**1,563**	**122**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Analysis of traded market risk exposures (continued)

Group

Group	2023 Interest rates Average	Interest rates High	Interest rates Low	2022 Interest rates Average	Interest rates High	Interest rates Low
Assets						
Loans and advances to banks:						
BWP	2.39 %	2.75 %	2.15 %	1.79 %	3.00 %	1.00 %
USD	1.00 %	1.25 %	0.75 %	0.19 %	1.00 %	- %
ZAR	- %	- %	- %	3.00 %	3.00 %	3.00 %
Bank of Botswana certificates						
7 day	2.63 %	2.65 %	2.40 %	1.97 %	2.65 %	1.11 %
1 month	2.95 %	3.18 %	2.79 %	2.76 %	3.18 %	2.34 %
Loans and advances						
Corporate	5.31 %	5.82 %	4.87 %	5.76 %	8.75 %	2.50 %
Retail	7.55 %	7.90 %	6.90 %	12.30 %	23.75 %	5.75 %
Staff	4.95 %	5.09 %	4.34 %	4.70 %	6.25 %	3.00 %
Balance with related parties						
USD	1.71 %	4.20 %	0.05 %	1.71 %	4.20 %	0.05 %
ZAR	7.55 %	7.90 %	6.90 %	4.88 %	6.60 %	3.45 %

	2023 Interest rates Average	Interest rates High	Interest rates Low	2022 Interest rates Average	Interest rates High	Interest rates Low
Liabilities						
Deposits due to customers:						
Corporate	0.20 %	5.35 %	0.10 %	0.20 %	5.35 %	0.10 %
Retail	2.50 %	3.25 %	- %	2.50 %	3.25 %	- %
Staff	1.43 %	3.25 %	- %	1.43 %	3.25 %	- %
Deposits from banks:						
BWP	3.16 %	4.50 %	2.00 %	2.14 %	3.25 %	1.25 %
USD	3.51 %	5.10 %	1.80 %	1.01 %	4.40 %	- %
Balances with related parties						
USD	8.00 %	8.37 %	7.47 %	7.47 %	4.77 %	2.92 %
ZAR	9.29 %	9.98 %	8.53 %	6.39 %	8.73 %	5.00 %
Medium term notes	7.47 %	7.72 %	7.42 %	6.73 %	7.83 %	5.00 %
Floating rate notes	6.90 %	7.11 %	6.74 %	6.28 %	8.81 %	4.65 %

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Analysis of traded market risk exposures (continued)

Market risk regulatory capital calculations (Trading and Banking Books)

The Group is required to hold adequate capital to cover losses due to exposures to Market Risk. For day-to-day risk management the Bank uses internal models such as Daily Value at Risk (DVaR) Net interest income and Economic Value of Equity (EVE) sensitivity etc. However, for regulatory capital calculations and as required by the Bank of Botswana the Bank uses the Standardised Measurement Method. This entails using the prescribed methods to calculate the capital charge for the market risk that the Bank is exposed to. The Internal Models Approach (use of DVaR Stressed Value at Risk SVaR) for regulatory capital calculations is not permitted under current Bank of Botswana regulatory guidelines.

The risks that form part of the Group's capital charge are as follows: the interest rate and equity risks pertaining to financial instruments in the trading book; and Foreign exchange risk and commodities risk in the trading and banking books. In particular; the General and Specific Interest rate risk the general and specific equity risks the FX risks (including banking book) and commodity risks. The Group uses the standardised maturity method for calculating its general interest rate risk with adjustments for basis and correlation effects. The measurement methods are in line with Basel 2 which became effective 1 January 2016.

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Additional foreign exchange exposure is taken through the trading book; in particular through FX forwards (including unmatured spot transactions) FX Swaps and other market making activities.

The Group manages foreign exchange exposures in line with ALCO and Absa Bank Botswana market risk guidelines. Typically, all currencies other than the US dollar are fully matched with open positions being taken on the US dollar up to a maximum open position of US$17million. The limit was adhered to throughout the year.

The Group conducts its foreign currency operations in accordance with guidelines periodically received from its regulator Bank of Botswana. The current intraday limit is set at US$50million and the overnight limit is US$25million. These limits were adhered to throughout the year.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Analysis of traded market risk exposures (continued)

Group

2023

	BWP P '000	USD P '000	ZAR P '000	GBP P '000	EUR P '000	Other P '000	Total P '000
Assets							
Cash	706 028	30 971	11 092	1 264	3 613	308	753 276
Balances at the Central Bank	1 147 632	-	-	-	-	-	1 147 632
Trading portfolio assets	191 177	-	-	-	-	-	191 177
Derivative financial instruments	25 265	-	78 187	-	-	-	103 452
Financial assets at fair value through OCI	2 464 895	-	-	-	-	-	2 464 895
Loans and advances to banks	-	437 000	-	67 468	252 336	7 043	763 847
Due from related parties	3 400	1 988 265	34 232	-	-	-	2 025 897
Loans and advances to customers	15 492 574	838 708	236 766	6	5	1	16 568 060
Other receivables	280 715	-	-	-	-	-	280 715
Total assets	**20 311 686**	**3 294 944**	**360 277**	**68 738**	**255 954**	**7 352**	**24 298 951**
Liabilities							
Deposits from banks	182 512	26 800	69 232	-	148 063	914	427 521
Due to related parties	15 116	-	488 371	-	-	-	503 487
Customer deposits	15 560 727	2 760 965	218 408	125 690	33 999	9	18 699 798
Derivative financial instruments	54 195	-	41 845	-	-	-	96 040
Other payables	473 656	-	-	-	-	-	473 656
Debt securities in issue	625 567	-	-	-	-	-	625 567
Subordinated debt	356 689	268 798	-	-	-	-	625 487
Total liabilities	**17 268 462**	**3 056 563**	**817 856**	**125 690**	**182 062**	**923**	**21 451 556**
Net position	**3 043 224**	**238 381**	**(457 579)**	**(56 952)**	**73 892**	**6 429**	**2 847 395**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Analysis of traded market risk exposures (continued)

2022

	BWP P '000	USD P '000	ZAR P '000	GBP P '000	EUR P '000	Other P '000	Total P '000
Assets							
Cash	618 255	20 697	24 204	1 465	3 851	341	668 813
Balances at the Central Bank	70 604	-	-	-	-	-	70 604
Trading portfolio assets	80 791	-	-	-	-	-	80 791
Derivative financial instruments	129 992	-	-	-	-	-	129 992
Financial assets at fair value through OCI	1 981 358	510 011	-	-	-	-	2 491 369
Loans and advances to banks	547 295	736 248	-	-	233 073	2 508	1 519 124
Due from related parties	691	790 597	102 214	-	-	2 533	896 035
Loans and advances to customers	15 002 235	1 214 169	129 325	11	11	1	16 345 752
Other receivables*	185 244	-	-	-	-	-	185 244
Total assets	**18 616 465**	**3 271 722**	**255 743**	**1 476**	**236 935**	**5 383**	**22 387 724**
Liabilities							
Deposits from banks	897 059	440	-	-	2 582	2 821	902 902
Due to related parties	9 420	-	185 905	-	-	2 317	197 642
Customer deposits	14 161 417	2 419 561	236 473	145 425	41 956	-	17 004 832
Derivative financial instruments	115 113	-	-	-	-	-	115 113
Other payables*	422 785	-	-	-	-	-	422 785
Debt securities in issue	330 821	255 006	-	-	-	-	585 827
Subordinated debt	357 335	255 641	-	-	-	-	612 976
Total liabilities	**16 293 950**	**2 930 648**	**422 378**	**145 425**	**44 538**	**5 138**	**19 842 077**
Net position	**2 322 515**	**341 074**	**(166 635)**	**(143 949)**	**192 397**	**245**	**2 545 647**

*Refer to restatement note 54.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Analysis of traded market risk exposures (continued)

Company

2023

	BWP P '000	USD P '000	ZAR P '000	GBP P '000	EUR P '000	Other P '000	Total P '000
Assets							
Cash	706 028	30 971	11 092	1 264	3 613	308	753 276
Balances at the Central Bank	1 147 632	-	-	-	-	-	1 147 632
Trading portfolio assets	191 177	-	-	-	-	-	191 177
Derivative financial instruments	25 265	-	78 187	-	-	-	103 452
Financial assets at fair value through OCI	2 464 895	-	-	-	-	-	2 464 895
Loans and advances to banks	-	437 000	-	67 468	252 336	7 043	763 847
Due from related parties	3 757	1 988 265	34 232	-	-	24 946	2 051 200
Loans and advances to customers	15 492 574	838 708	236 766	6	5	1	16 568 060
Other receivables	279 383	-	-	-	-	-	279 383
Total assets	**20 310 711**	**3 294 944**	**360 277**	**68 738**	**255 954**	**32 298**	**24 322 922**
Liabilities							
Deposits from banks	182 512	26 800	69 232	-	148 063	914	427 521
Due to related parties	137 939	-	488 371	-	-	-	626 310
Customer deposits	15 560 727	2 760 965	218 408	125 690	33 999	9	18 699 798
Derivative financial instruments	54 195	-	41 845	-	-	-	96 040
Other payables	470 190	-	-	-	-	-	470 190
Debt securities in issue	625 567	-	-	-	-	-	625 567
Subordinated debt	356 689	268 798	-	-	-	-	625 487
Total liabilities	**17 387 819**	**3 056 563**	**817 856**	**125 690**	**182 062**	**923**	**21 570 913**
Net position	**2 922 892**	**238 381**	**(457 579)**	**(56 952)**	**73 892**	**31 375**	**2 752 009**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Analysis of traded market risk exposures (continued)

2022

	BWP P '000	USD P '000	ZAR P '000	GBP P '000	EUR P '000	Other P '000	Total P '000
Assets							
Cash	618 255	20 697	24 204	1 465	3 851	341	668 813
Balances at the Central Bank	70 604	-	-	-	-	-	70 604
Trading portfolio assets	80 791	-	-	-	-	-	80 791
Derivative financial instruments	129 992	-	-	-	-	-	129 992
Financial assets at fair value through OCI	1 981 358	510 011	-	-	-	-	2 491 369
Loans and advances to banks	547 160	736 248	-	-	233 073	2 643	1 519 124
Due from related parties	31 072	790 597	100 929	-	-	-	922 598
Loans and advances to customers	15 002 235	1 214 169	129 325	11	11	1	16 345 752
Other receivables*	180 875	-	-	-	-	-	180 875
Total assets	**18 642 342**	**3 271 722**	**254 458**	**1 476**	**236 935**	**2 985**	**22 409 918**
Liabilities							
Deposits from banks	897 059	440	-	-	2 582	2 821	902 902
Due to related parties	113 667	-	185 905	-	-	2 317	301 889
Customer deposits	14 161 417	2 419 561	236 473	145 425	41 956	-	17 004 832
Derivative financial instruments	115 113	-	-	-	-	-	115 113
Other payables*	418 521	-	-	-	-	-	418 521
Debt securities in issue	330 821	255 006	-	-	-	-	585 827
Subordinated debt	357 335	255 641	-	-	-	-	612 976
Total liabilities	**16 393 933**	**2 930 648**	**422 378**	**145 425**	**44 538**	**5 138**	**19 942 060**
Net position	**2 248 409**	**341 074**	**(167 920)**	**(143 949)**	**192 397**	**(2 153)**	**2 467 858**

*Refer to restatement note 54.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Analysis of traded market risk exposures (continued)

Sensitivity of currency

The following sensitivity analysis monitors how a 5% increase or decrease in the major non-equity currency instruments affects various currencies:

Group and Company	2023 P'000	2022 P'000
5% (decrease) in US Dollar/BWP exchange rate (P'000)	(7 637)	(8 447)
As a percentage (decrease) of total shareholders' equity	(0.25)%	(0.29)%
5% (decrease) / increase in ZAR/BWP exchange rate (P'000)	(941)	77 704
As a percentage (decrease)/increase of total shareholders' equity	(0.03)%	2.67 %
5% increase / (decrease) in GBP/BWP exchange rate (P'000)	4 591	(7 197)
As a percentage increase/(decrease) of total shareholders' equity	0.15 %	(0.25)%
5% (decrease) / increase in EUR/BWP exchange rate (P'000)	(4 408)	9 620
As a percentage (decrease) / increase of total shareholders' equity	(0.15)%	0.33%

Sensitivity analysis

A reasonably possible strengthening of the US dollar ZAR GBP EUR against all other countries as at 31 December 2023 would have affected the measured of financial instruments denominated in foreign currency and affected equity and profit or loss by amounts shown above. This analysis assumes that all other variables in particular interest rates remain constant and ignores any impact of forecast sales and purchase.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instrument because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for interest rate exposure. The Assets and Liabilities Committee (ALCO) is the monitoring body for compliance with these limits and is assisted by Risk Management in its day-to-day monitoring activities. The table below shows the repricing profile of the Bank's non-trading portfolios:

Group

2023

	Up to 1 month P '000	1 - 3 months P '000	3 - 12 months P '000	1 - 5 years P '000	Over 5 years P '000	Non-interest bearing P '000	Total P '000
Assets							
Cash	-	-	-	-	-	753 276	753 276
Balances at the Central Bank	752 000	-	-	-	-	395 632	1 147 632
Trading portfolio assets	191 177	-	-	-	-	-	191 177
Derivative financial instruments	103 452	-	-	-	-	-	103 452
Financial assets at fair value through OCI	1 048 750	-	1 100 119	228 634	87 392	-	2 464 895
Loans and advances to banks	763 847	-	-	-	-	-	763 847
Due from related parties	2 025 897	-	-	-	-	-	2 025 897
Loans and advances to customers	2 783 870	260 100	588 943	6 319 795	7 221 948	(606 596)	16 568 060
Other receivables	-	-	-	-	-	191 081	191 081
	7 668 993	**260 100**	**1 689 062**	**6 548 429**	**7 309 340**	**733 393**	**24 209 317**
Liabilities							
Deposits from banks	427 521	-	-	-	-	-	427 521
Due to related parties	503 487	-	-	-	-	-	503 487
Customer deposits	9 290 069	2 214 284	3 451 591	570 240	1 034	3 172 580	18 699 798
Derivative financial instruments	96 040	-	-	-	-	-	96 040
Debt securities in issue	-	-	260 175	365 392	-	-	625 567
Subordinated debt	-	-	-	372 345	253 142	-	625 487
Other payables	-	-	-	-	-	365 047	365 047
	10 317 117	**2 214 284**	**3 711 766**	**1 307 977**	**254 176**	**3 537 627**	**21 342 947**
Interest rate sensitivity gap	**(2 648 124)**	**(1 954 184)**	**(2 022 704)**	**5 240 452**	**7 055 164**	**(2 804 234)**	**2 866 370**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Interest rate risk (continued)

Group

2022

	Up to 1 month P '000	1 - 3 months P '000	3 - 12 months P '000	1 - 5 years P '000	Over 5 years P '000	Non-interest bearing P '000	Total P '000
Assets							
Cash	-	-	-	-	-	668 813	668 813
Balances at the Central Bank	-	-	-	-	-	70 604	70 604
Trading portfolio assets	-	-	-	80 791	-	-	80 791
Derivative financial instruments	129 992	-	-	-	-	-	129 992
Financial assets at fair value through OCI	109 909	-	1 620 036	679 685	81 739	-	2 491 369
Loans and advances to banks	1 519 124	-	-	-	-	-	1 519 124
Due from related parties	896 035	-	-	-	-	-	896 035
Loans and advances to customers	2 703 503	18 967	1 543 565	2 375 265	10 345 797	(641 345)	16 345 752
Other receivables	-	-	-	-	-	128 586	128 586
	5 358 563	**18 967**	**3 163 601**	**3 135 741**	**10 427 536**	**226 658**	**22 331 066**
Liabilities							
Deposits from banks	902 902	-	-	-	-	-	902 902
Due to related parties	-	-	-	197 642	-	-	197 642
Customer deposits	7 498 046	2 120 490	2 293 474	551 642	1 009	4 540 171	17 004 832
Derivative financial instruments	115 113	-	-	-	-	-	115 113
Debt securities in issue	-	585 827	-	-	-	-	585 827
Subordinated debt	-	612 976	-	-	-	-	612 976
Other payables	-	-	-	-	-	326 166	326 166
	8 516 061	**3 319 293**	**2 293 474**	**749 284**	**1 009**	**4 866 337**	**19 745 458**
Interest rate sensitivity gap	**(3 157 498)**	**(3 300 326)**	**870 127**	**2 386 457**	**10 426 527**	**(4 639 679)**	**2 585 608**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Interest rate risk (continued)

Company

2023

	Up to 1 month P '000	1 - 3 months P '000	3 - 12 months P '000	1 - 5 years P '000	Over 5 years P '000	Non-interest bearing P '000	Total P '000
Assets							
Cash	-	-	-	-	-	753 276	753 276
Balances at the Central Bank	752 000	-	-	-	-	395 632	1 147 632
Trading portfolio assets	191 177	-	-	-	-	-	191 177
Derivative financial instruments	103 452	-	-	-	-	-	103 452
Financial assets at fair value through OCI	1 048 750	-	1 100 119	228 634	87 392	-	2 464 895
Loans and advances to banks	763 847	-	-	-	-	-	763 847
Due from related parties	2 051 200	-	-	-	-	-	2 051 200
Loans and advances to customers	2 783 870	260 100	588 943	6 319 795	7 221 948	(606 596)	16 568 060
Other receivables	-	-	-	-	-	189 749	189 749
	7 694 296	**260 100**	**1 689 062**	**6 548 429**	**7 309 340**	**732 061**	**24 233 288**
Liabilities							
Deposits from banks	427 521	-	-	-	-	-	427 521
Due to related parties	626 310	-	-	-	-	-	626 310
Customer deposits	9 290 069	2 214 284	3 451 591	570 240	1 034	3 172 580	18 699 798
Derivative financial instruments	96 040	-	-	-	-	-	96 040
Debt securities in issue	-	-	260 175	365 392	-	-	625 567
Subordinated debt	-	-	-	372 345	253 142	-	625 487
Other payables	-	-	-	-	-	362 401	362 401
	10 439 940	**2 214 284**	**3 711 766**	**1 307 977**	**254 176**	**3 534 981**	**21 463 124**
Interest rate sensitivity gap	**(2 745 644)**	**(1 954 184)**	**(2 022 704)**	**5 240 452**	**7 055 164**	**(2 802 920)**	**2 770 164**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Interest rate risk (continued)

Company

2022

	Up to 1 month P '000	1 - 3 months P '000	3 - 12 months P '000	1 - 5 years P '000	Over 5 years P '000	Non-interest bearing P '000	Total P '000
Assets							
Cash	-	-	-	-	-	668 813	668 813
Balances at the Central Bank	-	-	-	-	-	70 604	70 604
Trading portfolio assets	-	-	-	80 791	-	-	80 791
Derivative financial instruments	129 992	-	-	-	-	-	129 992
Financial assets at fair value through OCI	109 909	-	1 620 036	679 685	81 739	-	2 491 369
Loans and advances to banks	1 519 124	-	-	-	-	-	1 519 124
Due from related parties	922 598	-	-	-	-	-	922 598
Loans and advances to customers	2 703 503	18 967	1 543 565	2 375 265	10 345 797	(641 345)	16 345 752
Other receivables	-	-	-	-	-	124 217	124 217
	5 385 126	**18 967**	**3 163 601**	**3 135 741**	**10 427 536**	**222 289**	**22 353 260**
Liabilities							
Deposits from banks	902 902	-	-	-	-	-	902 902
Due to related parties	-	-	-	301 889	-	-	301 889
Customer deposits	7 498 046	2 120 490	2 293 474	551 642	1 009	4 540 171	17 004 832
Derivative financial instruments	115 113	-	-	-	-	-	115 113
Debt securities in issue	-	585 827	-	-	-	-	585 827
Subordinated debt	-	612 976	-	-	-	-	612 976
Other payables	-	-	-	-	-	322 766	322 766
	8 516 061	**3 319 293**	**2 293 474**	**853 531**	**1 009**	**4 862 937**	**19 846 305**
Interest rate sensitivity gap	**(3 130 935)**	**(3 300 326)**	**870 127**	**2 282 210**	**10 426 527**	**(4 640 648)**	**2 506 955**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Other price risks

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes personnel technology and infrastructure and from external factors other than credit market and liquidity risks. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address Operational risk is delegated to senior management within each Business unit. This responsibility is supported by implementation of the localised operational risk standards for the management of risk in the following areas:

- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- reporting of operational losses and proposed remedial action

Compliance with the operational risk standards is supported by a programme of periodic conformance and internal audit reviews undertaken by assurance providers. The results of reviews are tracked for resolution by management and the respective governance forums.

Credit risk

Credit risk is the risk of suffering financial loss due to a borrower, counterparty to a derivative transaction, or an issuer of debt securities defaulting on its contractual obligations.

The Group's approach is to provide direction on:

- understanding the principal risks to achieving Group strategy;
- establishing risk appetite; and
- establishing and communicating the risk management framework.

The process is then broken down into five steps: identify, assess, control, report and manage/challenge. Each of these steps is broken down further, to establish end-to-end activities within the risk management process and the infrastructure needed to support it.

Steps and activities are:

Identify

- Establish the process for identifying and understanding business-level risks.

Assess

- Agree and implement measurement and reporting standards and methodologies.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Other price risks (continued)

Credit risk (continued)

Control
- Establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements.
- Monitor the operation of the controls and adherence to risk direction and limits.
- Provide early warning of control or appetite breaches.
- Ensure that risk management practices and conditions are appropriate for the business environment

Report
- Interpret and report on risk exposures, concentrations and risk-taking outcomes.
- Interpret and report on sensitivities and Key Risk Indicators.
- Communicate with external parties.

Manage and challenge
- Review and challenge all aspects of the Group's risk profile.
- Assess new risk-return opportunities.
- Advise on optimising the Group's risk profile.
- Review and challenge risk management practices.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Maximum credit risk exposure

Group 2023

	Gross Maximum Exposure P '000	12 months expected credit losses - stage 1 P '000	Lifetime expected credit losses - stage 2 P '000	Credit impaired - stage 3 P '000
Balances at central banks	1 147 645	1 147 645	-	-
Loans and advances to banks	763 975	763 975	-	-
Financial assets at fair value through OCI	2 469 350	2 469 350	-	-
Loans and advances to customers	17 174 658	13 786 680	2 767 115	620 863
Due from related parties	2 025 897	2 025 897	-	-
Total gross maximum exposure to credit risk (excluding derivatives)	**23 581 525**	**20 193 547**	**2 767 115**	**620 863**
Expected credit losses	(606 865)	(138 096)	(98 739)	(370 030)
Total net exposure to credit risk as disclosed on the statement of financial position	**22 974 660**	**20 055 451**	**2 668 376**	**250 833**
Assets not subject to IFRS 9 ECL requirements	1 234 657	-	-	-
Total financial assets	**24 209 317**	**20 055 451**	**2 668 376**	**250 833**
Gross off balance sheet exposures	3 329 945	3 329 945	-	-
Expected credit losses and provision	(5 548)	(5 548)	-	-
Net off balance sheet exposures	**3 324 397**	**3 324 397**	**-**	**-**

The write-off amount for the year is P 76,281 thousand (2022: P 93,339 thousand) refer to note 22.

2022

	Gross Maximum Exposure P '000	12 months expected credit losses - stage 1 P '000	Lifetime expected credit losses - stage 2 P '000	Credit impaired - stage 3 P '000
Balances at central banks	70 615	70 615	-	-
Loans and advances to banks	1 519 166	1 519 166	-	-
Financial assets at fair value through OCI	2 491 771	2 491 771	-	-
Loans and advances to customers	16 960 067	14 947 359	1 342 149	670 559
Due from related parties	896 035	896 035	-	-
Total gross maximum exposure to credit risk (excluding derivatives)	**21 937 654**	**19 924 946**	**1 342 149**	**670 559**
Expected credit losses	(614 770)	(183 095)	(67 192)	(364 483)
Total net exposure to credit risk as disclosed on the statement of financial position	**21 322 884**	**19 741 851**	**1 274 957**	**306 076**
Assets not subject to IFRS 9 ECL requirements	1 008 182	-	-	-
Total financial assets	**22 331 066**	**19 741 851**	**1 274 957**	**306 076**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Maximum credit risk exposures (continued)

Group 2022

	Gross Maximum Exposure P '000	12 months expected credit losses - stage 1 P '000	Lifetime expected credit losses - stage 2 P '000	Credit impaired - stage 3 P '000
Gross off balance sheet exposures	3 339 473	3 339 473	-	-
Expected credit losses and provision	(2 065)	(2 065)	-	-
Net off balance sheet exposures	**3 337 408**	**3 337 408**	**-**	

The write-off amount for the year is P 93,339 thousand (2022: P 92,096 thousand) refer to note 22.

Company 2023

	Gross Maximum Exposure P '000	12 months expected credit losses - stage 1 P '000	Lifetime expected credit losses - stage 2 P '000	Credit impaired - stage 3 P '000
Balances at central banks	1 147 645	1 147 645	-	-
Loans and advances to banks	763 975	763 975	-	-
Financial assets at fair value through OCI	2 469 350	2 469 350	-	-
Loans and advances to customers	17 174 658	13 786 680	2 767 115	620 863
Due from related parties	2 051 200	2 051 200	-	-
Total gross maximum exposure to credit risk (excluding derivatives)	**23 606 828**	**20 218 850**	**2 767 115**	**620 863**
Expected credit losses	(606 865)	(138 096)	(98 739)	(370 030)
Total net exposure to credit risk as disclosed on the statement of financial position	**22 999 963**	**20 080 754**	**2 668 376**	**250 833**
Assets not subject to IFRS 9 ECL requirements	1 233 325	-	-	-
Total financial assets	**24 233 288**	**20 080 754**	**2 668 376**	**250 833**
Gross off balance sheet exposures	3 329 945	3 329 945	-	-
Expected credit losses and provision	(5 548)	(5 548)	-	-
Net off balance sheet exposures	**3 324 397**	**3 324 397**	**-**	**-**

The following significant changes in the gross carrying amount of loans and advances to customers during the period contributed to changes in the loss allowance:

- The Group did not originate any credit impaired assets during the current reporting period.
- The total write-offs recognised during the current period related predominantly to exposures in the Retail portfolios.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Maximum credit risk exposure

Company 2022

	Gross Maximum Exposure P '000	12 months expected credit losses - stage 1 P '000	Lifetime expected credit losses - stage 2 P '000	Credit impaired - stage 3 P '000
Balances at central banks	70 615	70 615	-	-
Loans and advances to banks	1 519 166	1 519 166	-	-
Financial assets at fair value through OCI	2 491 771	2 491 771	-	-
Loans and advances to customers	16 960 067	14 947 359	1 342 149	670 559
Due from related parties	922 598	922 598	-	-
Total gross maximum exposure to credit risk (excluding derivatives)	**21 964 217**	**19 951 509**	**1 342 149**	**670 559**
Expected credit losses	(614 770)	(183 095)	(67 192)	(364 483)
Total net exposure to credit risk as disclosed on the statement of financial position	**21 349 447**	**19 768 414**	**1 274 957**	**306 076**
Assets not subject to IFRS 9 ECL requirements	1 003 813	-	-	-
Total financial assets	**22 353 260**	**19 768 414**	**1 274 957**	**306 076**
Gross off balance sheet exposures	3 339 473	3 339 473	-	-
Expected credit losses and provision	(2 065)	(2 065)	-	-
Net off balance sheet exposures	**3 337 408**	**3 337 408**	**-**	**-**

Enforcement of collateral

Carrying value of assets held by the Bank at the reporting date as a result of the enforcement of collateral is as follows:

	2023 P '000	2022 P '000
Asset financing- movable property	4 392	4 036
Residential property	75 463	82 682
Balance at the end of the reporting period	**79 855**	**86 718**
Forced sale value of repossessed assets	**546 725**	**110 417**

The policy for financial assets that are written off but still subject to enforcement activity is disclosed under note 1.14 . Repossessed properties are maintained off balance sheet with the respective loan recognised to the extent of discounted fair value of collateral held. The repossessed assets are not recognised on the statement of financial position as title or ownership of the assets never transfers to the Group (refer note 1.14).

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Growth

The loans and advances to customers experienced growth of 1.3% year on year (2022: 8.78%). The growth was mainly driven by expansionary appetite to supported targeted growth on unsecured lending through the scheme platform followed by secured mortgages.

Portfolio Performance

The quality of the retail portfolio improved evidenced by a continued reduction in coverage. The growth in impairment charge in comparison to the previous year is driven mainly by the significant growth of the portfolio and MEV adjustments. The current normalised year impairment performance has been stable and improving. This was achieved through use of data analytics to enhance collection and lending strategies to navigate against threats of general distress in market caused by economic downturn.

Loans and advances to customers credit mitigation

Group

2023

	Gross maximum exposure (excluding impairment) P '000	Guarantees credit insurance and credit derivatives P '000	Physical collateral P '000	Cash collateral P '000	Other P '000	Net unsecured exposure P '000
On-statement of financial position exposure						
Balances at central bank	1 147 645	-	-	-	-	1 147 645
Financial assets at fair value OCI	2 469 350	-	-	-	-	2 469 350
Trading portfolio assets	191 177	-	-	-	-	191 177
Due from related parties	2 025 897	-	-	-	-	2 025 897
Loans and advances to banks	763 975	-	-	-	-	763 975
Derivative financial assets	103 452	-	-	-	-	103 452
Loans and advances to customers	17 174 655	(326 769)	(1 237 496)	(55 580)	(478 966)	15 075 844
Other receivables	191 081	-	-	-	-	191 081
Total exposures subject to credit risk	**24 067 232**	**(326 769)**	**(1 237 496)**	**(55 580)**	**(478 966)**	**21 968 421**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Loans and advances to customers credit mitigation (continued)

Group

2022

	Gross maximum exposure (excluding impairment) P '000	Guarantees credit insurance and credit derivatives P '000	Physical collateral P '000	Cash collateral P '000	Other P '000	Net unsecured exposure P '000
On-statement of financial position exposure						
Balances at central bank	70 615	-	-	-	-	70 615
Financial assets at fair value OCI	2 491 771	-	-	-	-	2 491 771
Trading portfolio assets	80 791	-	-	-	-	80 791
Due from related parties	896 035	-	-	-	-	896 035
Loans and advances to banks	1 519 166	-	-	-	-	1 519 166
Derivative financial assets	129 992	-	-	-	-	129 992
Loans and advances to customers	16 960 067	(583 241)	(2 327 527)	(348 101)	(9 968)	13 691 230
Other receivables	128 586	-	-	-	-	128 586
Total exposures subject to credit risk	**22 277 023**	**(583 241)**	**(2 327 527)**	**(348 101)**	**(9 968)**	**19 008 186**

Company

2023

	Gross maximum exposure (excluding impairment) P '000	Guarantees credit insurance and credit derivatives P '000	Physical collateral P '000	Cash collateral P '000	Other P '000	Net unsecured exposure P '000
On-statement of financial position exposure						
Balances at central bank	1 147 645	-	-	-	-	1 147 645
Financial assets at fair value OCI	2 469 350	-	-	-	-	2 469 350
Trading portfolio assets	191 177	-	-	-	-	191 177
Due from related parties	2 051 200	-	-	-	-	2 051 200
Loans and advances to banks	763 975	-	-	-	-	763 975
Derivative financial assets	103 452	-	-	-	-	103 452
Loans and advances to customers	17 174 655	(326 769)	(1 237 496)	(55 580)	(478 966)	15 075 844
Other receivables	189 749	-	-	-	-	189 749
Total exposures subject to credit risk	**24 091 203**	**(326 769)**	**(1 237 496)**	**(55 580)**	**(478 966)**	**21 992 392**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Loans and advances to customers credit mitigation (continued)

Company

2022

	Gross maximum exposure (excluding impairment) P '000	Guarantees credit insurance and credit derivatives P '000	Physical collateral P '000	Cash collateral P '000	Other P '000	Net unsecured exposure P '000
On-statement of financial position exposure						
Balances at central bank	1 147 645	-	-	-	-	1 147 645
Financial assets at fair value OCI	2 469 350	-	-	-	-	2 469 350
Trading portfolio assets	80 791	-	-	-	-	80 791
Due from related parties	922 598	-	-	-	-	922 598
Loans and advances to banks	1 519 166	-	-	-	-	1 519 166
Derivative financial assets	129 992	-	-	-	-	129 992
Loans and advances to customers	16 960 067	(583 241)	(2 327 527)	(348 101)	(9 968)	13 691 230
Other receivables	124 217	-	-	-	-	124 217
Total exposures subject to credit risk	**23 353 826**	**(583 241)**	**(2 327 527)**	**(348 101)**	**(9 968)**	**20 084 989**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Loans and advances to customers credit mitigation (continued)

Credit exposure by industry

Group

2023

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Private individuals	11 642 471	-	-	-	-	-	-	-	11 642 471
Mining companies	103 210	-	-	-	-	-	-	-	103 210
Parastatals	348 182	-	-	-	-	-	-	-	348 182
Private sector	4 390 741	-	-	-	-	-	-	-	4 390 741
Financial institutions	690 051	763 975	2 025 897	103 452	1 147 645	2 465 023	191 177	191 081	7 578 301
Gross exposure	**17 174 655**	**763 975**	**2 025 897**	**103 452**	**1 147 645**	**2 465 023**	**191 177**	**191 081**	**24 062 905**
Expected credit losses	(606 595)	(128)	-	-	(13)	(128)	-	-	(606 864)
Net exposure	**16 568 060**	**763 847**	**2 025 897**	**103 452**	**1 147 632**	**2 464 895**	**191 177**	**191 081**	**23 456 041**

2022

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Private individuals	11 237 720	-	-	-	-		-	- -	11 237 720
Mining companies	178 341	-	-	-	-	-	-	-	178 341
Parastatals	104 613	-	-	-	-	-	-	-	104 613
Private sector	4 507 678	-	-	-	-	-	-	-	4 507 678
Financial institutions	931 715	1 519 166	896 035	129 992	70 615	2 491 771	80 791	128 586	6 248 671
Gross exposure	**16 960 067**	**1 519 166**	**896 035**	**129 992**	**70 615**	**2 491 771**	**80 791**	**128 586**	**22 277 023**
Expected credit losses	(614 315)	(42)	-	-	(11)	(402)	-	-	(614 770)
Net exposure	**16 345 752**	**1 519 124**	**896 035**	**129 992**	**70 604**	**2 491 369**	**80 791**	**128 586**	**21 662 253**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Loans and advances to customers credit mitigation (continued)

Company

2023

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Private individuals	11 642 471	-	-	-	-	-	-	-	11 642 471
Mining companies	103 210	-	-	-	-	-	-	-	103 210
Parastatals	348 182	-	-	-	-	-	-	-	348 182
Private sector	4 390 741	-	-	-	-	-	-	-	4 390 741
Financial institutions	690 051	763 975	2 051 200	103 452	1 147 645	2 465 023	191 177	189 749	7 602 272
Gross exposure	**17 174 655**	**763 975**	**2 051 200**	**103 452**	**1 147 645**	**2 465 023**	**191 177**	**189 749**	**24 086 876**
Expected credit losses	(606 595)	(128)	-	-	(13)	(128)	-	-	(606 864)
Net exposure	**16 568 060**	**763 847**	**2 051 200**	**103 452**	**1 147 632**	**2 464 895**	**191 177**	**189 749**	**23 480 012**

2022

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Private individuals	11 237 720	-	-	-	-	-	-	-	11 237 720
Mining companies	178 341	-	-	-	-	-	-	-	178 341
Parastatals	104 613	-	-	-	-	-	-	-	104 613
Private sector	4 507 678	-	-	-	-	-	-	-	4 507 678
Financial institutions	931 715	1 519 166	922 598	129 992	70 615	2 491 771	80 791	124 217	6 270 865
Gross exposure	**16 960 067**	**1 519 166**	**922 598**	**129 992**	**70 615**	**2 491 771**	**80 791**	**124 217**	**22 299 217**
Expected credit losses	(614 315)	(42)	-	-	(11)	(402)	-	-	(614 770)
Net exposure	**16 345 752**	**1 519 124**	**922 598**	**129 992**	**70 604**	**2 491 369**	**80 791**	**124 217**	**21 684 447**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Loans and advances to customers credit mitigation (continued)

Credit exposure by area

Group

2023

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Botswana	17 174 655	-	3 950	103 452	1 147 645	2 465 023	191 177	191 081	21 276 983
South Africa	-	-	2 021 796	-	-	-	-	-	2 021 796
UK	-	67 340	-	-	-	-	-	-	67 340
Europe	-	252 553	151	-	-	-	-	-	252 704
Other	-	7 082	-	-	-	-	-	-	7 082
USA	-	437 000	-	-	-	-	-	-	437 000
Gross exposure	**17 174 655**	**763 975**	**2 025 897**	**103 452**	**1 147 645**	**2 465 023**	**191 177**	**191 081**	**24 062 905**
Expected credit losses	(606 595)	(128)	-	-	(13)	(128)	-	-	(606 864)
Net exposure	**16 568 060**	**763 847**	**2 025 897**	**103 452**	**1 147 632**	**2 464 895**	**191 177**	**191 081**	**23 456 041**

2022

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Botswana	16 960 067	547 202	-	129 992	70 615	2 491 771	80 791	128 586	20 409 024
South Africa	-	-	896 035	-	-	-	-	-	896 035
Europe	-	233 073	-	-	-	-	-	-	233 073
Other	-	2 643	-	-	-	-	-	-	2 643
USA	-	736 248	-	-	-	-	-	-	736 248
Gross exposure	**16 960 067**	**1 519 166**	**896 035**	**129 992**	**70 615**	**2 491 771**	**80 791**	**128 586**	**22 277 023**
Expected credit losses	(614 315)	(42)	-	-	(11)	(402)	-	-	(614 770)
Net exposure	**16 345 752**	**1 519 124**	**896 035**	**129 992**	**70 604**	**2 491 369**	**80 791**	**128 586**	**21 662 253**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Loans and advances to customers credit mitigation (continued)

Company

2023

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Botswana	17 174 655	-	28 095	103 452	1 147 645	2 465 023	191 177	189 749	21 299 796
South Africa	-	-	1 955 462	-	-	-	-	-	1 955 462
UK	-	67 340	67 492	-	-	-	-	-	134 832
Europe	-	252 553	151	-	-	-	-	-	252 704
Other	-	7 082	-	-	-	-	-	-	7 082
USA	-	437 000	-	-	-	-	-	-	437 000
Gross exposure	**17 174 655**	**763 975**	**2 051 200**	**103 452**	**1 147 645**	**2 465 023**	**191 177**	**189 749**	**24 086 876**
Expected credit losses	(606 595)	(128)	-	-	(13)	(128)	-	-	(606 864)
Net exposure	**16 568 060**	**763 847**	**2 051 200**	**103 452**	**1 147 632**	**2 464 895**	**191 177**	**189 749**	**23 480 012**

2022

	Loans and advances to customers P '000	Loans and advances to banks P '000	Balances with related companies P '000	Derivative financial instruments P '000	Balances at central bank P '000	Financial assets at fair value through P '000	Trading portfolio assets P '000	Other receivables P '000	Total P '000
Botswana	16 960 067	547 202	-	129 992	70 615	2 491 771	80 791	124 217	20 404 655
South Africa	-	-	922 598	-	-	-	-	-	922 598
Europe	-	233 073	-	-	-	-	-	-	233 073
Other	-	2 643	-	-	-	-	-	-	2 643
USA	-	736 248	-	-	-	-	-	-	736 248
Gross exposure	**16 960 067**	**1 519 166**	**922 598**	**129 992**	**70 615**	**2 491 771**	**80 791**	**124 217**	**22 299 217**
Expected credit losses	(614 315)	(42)	-	-	(11)	(402)	-	-	(614 770)
Net exposure	**16 345 752**	**1 519 124**	**922 598**	**129 992**	**70 604**	**2 491 369**	**80 791**	**124 217**	**21 684 447**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Loans and advances to customers credit mitigation (continued)

Off – Balance sheet industrial analysis

	Group		Company	
Commitments not on the statement of financial position	2023 P '000	2022 P '000	2023 P '000	2022 P '000
Private individuals	349 249	395 949	349 249	395 949
Mining companies	405 050	504 944	405 050	504 944
Parastatals	103 571	292 469	103 571	292 469
Private sector	2 013 233	1 762 332	2 013 233	1 762 332
Financial institutions	458 842	383 779	458 842	383 779
Gross Exposure	**3 329 945**	**3 339 473**	**3 329 945**	**3 339 473**
Expected credit losses	(5 548)	(2 065)	(5 548)	(2 065)
Net exposure	**3 324 397**	**3 337 408**	**3 324 397**	**3 337 408**

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors which has established an appropriate liquidity risk management framework for the management of the Group's short medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Liquidity and interest risk tables (continued)

Group

2023

	Less than 1 month P '000	1-3 months P '000	3-12 months P '000	1-5 years P '000	5+ years P '000	Nominal amount P '000	Discount effect P '000	Total P '000
Assets								
Cash	753 276	-	-	-	-	753 276	-	753 276
Balances at the Central Bank	1 147 632	-	-	-	-	1 147 632	-	1 147 632
Trading portfolio assets	191 177	-	-	-	-	191 177	-	191 177
Financial assets at fair value through OCI	1 048 751	-	1 100 119	228 682	91 670	2 469 222	(4 327)	2 464 895
Loans and advances to banks	763 847	-	-	-	-	763 847	-	763 847
Due from related parties	2 025 897	-	-	-	-	2 025 897	-	2 025 897
Loans and advances to customers	2 646 045	260 100	490 204	6 241 689	7 008 128	16 646 166	(78 106)	16 568 060
Other receivables	191 081	-	-	-	-	191 081	-	191 081
Total assets	**8 767 706**	**260 100**	**1 590 323**	**6 470 371**	**7 099 798**	**24 188 298**	**(82 433)**	**24 105 865**
Liabilities								
Due to related parties	503 487	-	-	-	-	503 487	-	503 487
Customer deposits	12 964 438	2 214 284	3 451 591	570 240	1 034	19 201 587	(501 789)	18 699 798
Debt securities in issue	-	-	327 739	290 361	-	618 100	7 467	625 567
Subordinated debt	-	-	-	369 728	251 363	621 091	4 396	625 487
Deposits from banks	427 521	-	-	-	-	427 521	-	427 521
Other payables	365 047	-	-	-	-	365 047	-	365 047
Total liabilities	14 260 493	2 214 284	3 779 330	1 230 329	252 397	21 736 833	(489 926)	21 246 907
Off balance sheet	3 329 945	-	-	-	-	3 329 945	-	3 329 945
Total liabilities exposure	**17 590 438**	**2 214 284**	**3 779 330**	**1 230 329**	**252 397**	**25 066 778**	**(489 926)**	**24 576 852**
Liquidity gap (excluding derivatives)	**(8 822 732)**	**(1 954 184)**	**(2 189 007)**	**5 240 042**	**6 847 401**	**(878 480)**	**407 493**	**(470 987)**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Liquidity and interest risk tables (continued)

Group

2022

	Less than 1 month P '000	1-3 months P '000	3-12 months P '000	1-5 years P '000	5+ years P '000	Nominal amount P '000	Discount effect P '000	Total P '000
Assets								
Cash	668 813	-	-	-	-	668 813	-	668 813
Balances at the Central Bank	70 604	-	-	-	-	70 604	-	70 604
Trading portfolio assets	-	-	-	80 791	-	80 791	-	80 791
Financial assets at fair value through OCI	109 909	-	1 620 036	679 685	81 739	2 491 369	-	2 491 369
Loans and advances to banks	1 519 124	-	-	-	-	1 519 124	-	1 519 124
Due from related parties	896 035	-	-	-	-	896 035	-	896 035
Loans and advances to customers	2 741 283	18 967	1 543 565	2 375 265	9 704 452	16 383 532	(37 780)	16 345 752
Other receivables	-	-	128 586	-	-	128 586	-	128 586
Total assets	**6 005 768**	**18 967**	**3 292 187**	**3 135 741**	**9 786 191**	**22 238 854**	**(37 780)**	**22 201 074**
Liabilities								
Due to related parties	-	-	-	198 299	-	198 299	(657)	197 642
Customer deposits	7 498 046	2 575 543	2 716 911	623 594	4 541 180	17 955 274	(950 442)	17 004 832
Debt securities in issue	-	588 027	-	-	-	588 027	(2 200)	585 827
Subordinated debt	-	618 305	-	-	-	618 305	(5 329)	612 976
Deposits from banks	902 902	-	-	-	-	902 902	-	902 902
Other payables	326 166	-	-	-	-	326 166	-	326 166
Total liabilities	8 727 114	3 781 875	2 716 911	821 893	4 541 180	20 588 973	(958 628)	19 630 345
Off balance sheet	3 339 473	-	-	-	-	3 339 473	-	3 339 473
Total liabilities exposure	**12 066 587**	**3 781 875**	**2 716 911**	**821 893**	**4 541 180**	**23 928 446**	**(958 628)**	**22 969 818**
Liquidity gap (excluding derivatives)	**(6 060 819)**	**(3 762 908)**	**575 276**	**2 313 848**	**5 245 011**	**(1 689 592)**	**920 848**	**(768 744)**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Liquidity and interest risk tables (continued)

Company

2023

	Less than 1 month P '000	1-3 months P '000	3-12 months P '000	1-5 years P '000	5+ years P '000	Nominal amount P '000	Discount effect P '000	Total P '000
Assets								
Cash	753 276	-	-	-	-	753 276	-	753 276
Balances at the Central Bank	1 147 632	-	-	-	-	1 147 632	-	1 147 632
Trading portfolio assets	191 177	-	-	-	-	191 177	-	191 177
Financial assets at fair value through OCI	1 048 751	-	1 100 119	228 682	91 670	2 469 222	(4 327)	2 464 895
Loans and advances to banks	763 847	-	-	-	-	763 847	-	763 847
Due from related parties	2 051 200	-	-	-	-	2 051 200	-	2 051 200
Loans and advances to customers	2 646 045	260 100	490 204	6 241 689	7 008 128	16 646 166	(78 106)	16 568 060
Other receivables	189 749	-	-	-	-	189 749	-	189 749
Total assets	**8 791 677**	**260 100**	**1 590 323**	**6 470 371**	**7 099 798**	**24 212 269**	**(82 433)**	**24 129 836**
Liabilities								
Due to related parties	626 310	-	-	-	-	626 310	-	626 310
Customer deposits	12 964 438	2 214 284	3 451 591	570 240	1 034	19 201 587	(501 789)	18 699 798
Debt securities in issue	-	-	327 739	290 361	-	618 100	7 467	625 567
Subordinated debt	-	-	-	369 728	251 163	620 891	4 596	625 487
Deposits from banks	427 521	-	-	-	-	427 521	-	427 521
Other payables	362 401	-	-	-	-	362 401	-	362 401
Total liabilities	14 380 670	2 214 284	3 779 330	1 230 329	252 197	21 856 810	(489 726)	21 367 084
Off balance sheet	3 329 945	-	-	-	-	3 329 945	-	3 329 945
Total liabilities exposure	**17 710 615**	**2 214 284**	**3 779 330**	**1 230 329**	**252 197**	**25 186 755**	**(489 726)**	**24 697 029**
Liquidity gap (excluding derivatives)	**(8 918 938)**	**(1 954 184)**	**(2 189 007)**	**5 240 042**	**6 847 601**	**(974 486)**	**407 293**	**(567 193)**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Liquidity and interest risk tables (continued)

Company

2022

	Less than 1 month P '000	1-3 months P '000	3-12 months P '000	1-5 years P '000	5+ years P '000	Nominal amount P '000	Discount effect P '000	Total P '000
Assets								
Cash	668 813	-	-	-	-	668 813	-	668 813
Balances at the Central Bank	70 604	-	-	-	-	70 604	-	70 604
Trading portfolio assets	-	-	-	80 791	-	80 791	-	80 791
Financial assets at fair value through OCI	109 909	-	1 620 036	679 685	81 739	2 491 369	-	2 491 369
Loans and advances to banks	1 519 124	-	-	-	-	1 519 124	-	1 519 124
Due from related parties	922 598	-	-	-	-	922 598	-	922 598
Loans and advances to customers	2 741 283	18 967	1 543 565	2 375 265	9 704 452	16 383 532	(37 780)	16 345 752
Other receivables	-	-	-	-	-	124 217	-	124 217
Total assets	**6 032 331**	**18 967**	**3 163 601**	**3 135 741**	**9 786 191**	**22 261 048**	**(37 780)**	**22 223 268**
Liabilities								
Due to related parties	-	-	-	302 546	-	302 546	(657)	301 889
Customer deposits	7 498 046	2 575 543	2 716 911	623 594	4 541 180	17 955 274	(950 442)	17 004 832
Debt securities in issue	-	588 027	-	-	-	588 027	(2 200)	585 827
Subordinated debt	-	618 305	-	-	-	618 305	(5 329)	612 976
Deposits from banks	902 902	-	-	-	-	902 902	-	902 902
Other payables	322 766	-	-	-	-	322 766	-	322 766
Total liabilities	8 723 714	3 781 875	2 716 911	926 140	4 541 180	20 689 820	(958 628)	19 731 192
Off balance sheet	3 339 473	-	-	-	-	3 339 473	-	3 339 473
Total liabilities exposure	**12 063 187**	**3 781 875**	**2 716 911**	**926 140**	**4 541 180**	**24 029 293**	**(958 628)**	**23 070 665**
Liquidity gap (excluding derivatives)	**(6 030 856)**	**(3 762 908)**	**446 690**	**2 209 601**	**5 245 011**	**(1 768 245)**	**920 848**	**(847 397)**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Liquidity and interest risk tables (continued)

Group and Company

The following table details the Group's liquidity analysis for its derivative instruments.

2023

	Less than 1 year P '000	Total P '000
Gross settled:		
Derivative financial assets	106 813	106 813
Derivative financial liabilities	104 492	104 492

2022

	Less than 1 year P '000	**Total P '000**
Gross settled:		
Derivative financial assets	840 824	840 824
Derivative financial liabilities	1 089 288	1 089 288

Stress liquidity risk

Stress liquidity risk management refers to the management of liquidity risk during times of unexpected outflows arising from bank specific or systemic stress events. Treasury regularly performs liquidity scenario analyses and stress tests to assess the adequacy of the Group's stress funding sources liquidity buffers and contingency funding strategies in the event of such a stressed scenario. Scenario analysis and stress testing encompasses a range of realistic adverse events which while remote could have a material impact on the liquidity of the Bank's operations.

Through scenario analysis and stress testing, the Bank aims to manage and mitigate liquidity risk by:

- determining, evaluating and testing the impact of adverse liquidity scenarios;
- identifying appropriate rapid and effective responses to a crisis; and
- setting liquidity limits, sources of stress funding and liquidity buffers as well as formulating a funding strategy designed to minimise liquidity risk.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

44. Risk management (continued)

Stress liquidity risk (continued)

The Bank's overall objective is to ensure that during a liquidity stress event the Group's stress funding sources and liquidity buffers exceed the estimated stress funding requirements for a period of at least 30 days. Stress testing and scenario analysis are used to evaluate the efficiency of identified sources of stress funding along a continuum of risk scenarios and to formulate and test contingency plans. A detailed contingent funding and liquidity plan has been designed to protect depositors creditors and shareholders during adverse liquidity conditions. The plan includes early warning indicators and sets out the crisis response strategy addressing sources of stress funding strategies for crisis avoidance/minimisation and the internal and external communication strategy. Liquidity simulation exercises are conducted regularly to test the robustness of the plan and to ensure that key stakeholders remain up to date on liquidity matters.

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers. To monitor the percentage of long-term assets maturing after 1 year as a percentage of total liabilities a medium-term mismatch ratio for both foreign currency and local currency is performed individually. Net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks debt securities issued other borrowings and commitments maturing within the next month. A similar but not identical calculation is used to measure the Group's compliance with the liquidity limit established by the Group's lead regulator the Bank of Botswana. Primary reserve held is 2.5 % of net local currency deposits and liquid asset ratio is 10% of net local currency deposits.

	Group		Company	
Figures in Pula thousand	2023	2022	2023	2022
At 31 December				
Foreign currency	(8)%	(4)%	(8)%	(4)%
Local currency	31 %	33%	31%	33 %
Average for the period				
Foreign currency	(6)%	(3)%	(6)%	(3)%
Local currency	34 %	34%	34%	34 %
Maximum for the period				
Foreign currency	(4)%	(2)%	(4)%	(2)%
Local currency	38 %	37%	38%	37 %
Minimum for the period				
Foreign currency	(8)%	(4)%	(8)%	(4)%
Local currency	31%	32%	31%	32%

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

45. Fair value of financial instruments not held at fair value

The disclosed fair value of these financial assets and financial liabilities measured at amortised cost approximate their carrying value for the following reasons:

- The loans and advances carrying amount approximates fair value by use of expected cash flows and the frequent repricing of instruments
- The deposits, debt securities in issue and borrowed funds - fair value or amortised cost deposits repayable on demand is considered to the equal to their carrying value
- Other financial assets liabilities are short-term in nature or have interest rates that reprice frequently

Group

	2023 Carrying amount P '000	2022 Carrying amount P '000
Financial Assets		
Cash	753 276	668 813
Balances at central bank	1 147 632	70 604
Due from related parties	2 025 897	896 035
Loans and advances to banks	763 847	1 519 124
Loans and advances to customers	16 568 060	16 345 752
Other receivables	191 081	128 586
Total	**21 449 793**	**19 628 914**
Financial Liabilities		
Deposits from banks	427 521	902 902
Due to related parties	503 487	197 642
Deposits due to customers	18 699 798	17 004 832
Debt securities in issue	625 567	585 827
Other payables	365 047	326 166
Subordinate debt	625 487	612 976
Total	**21 246 907**	**19 630 345**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

45. Fair value of financial instruments not held at fair value (continued)

Company	2023 Carrying amount P '000	2022 Carrying amount P '000
Financial Assets		
Cash	753 276	668 813
Balances at central bank	1 147 632	70 604
Due from related parties	2 051 200	922 598
Loans and advances to banks	763 847	1 519 124
Loans and advances to customers	16 568 060	16 345 752
Other receivables	189 749	124 217
Total	**21 473 764**	**19 651 108**
Financial Liabilities		
Deposits from banks	427 521	902 902
Due to related parties	626 310	301 889
Deposits due to customers	18 699 798	17 004 832
Debt securities in issue	625 567	585 827
Other payables	362 401	322 766
Subordinated debt	625 487	612 976
Total	**21 367 084**	**19 731 192**

Fair value hierarchy

The following section provides an analysis of the Group's financial assets and financial liabilities that are not measured at fair value subsequent to initial recognition, Grouped into Levels 1 to 3 based on the degree to which the instrument's fair value is observable. The classification of instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are defined below.

Level1

Items valued with reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis

Level 2

Items valued using inputs other than quoted prices as described above for Level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- quoted price for similar assets or liabilities in an active market;
- quoted price for identical or similar assets or liabilities in inactive markets;
- valuation model using observable inputs; and
- valuation model using inputs derived from/corroborated by observable market data.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

45. Fair value of financial instruments not held at fair value (continued)

Level 3

Items valued using significant inputs that are not only based on observable market data. These include inputs based on an entity's own assumptions and assumptions applied by other market participants in pricing similar assets.

The following table presents information about the valuation techniques and significant unobservable inputs used in measuring assets and liabilities categorised as Level 3 in the fair value hierarchy:

Category of asset/liability	Valuation techniques applied	Significant unobservable inputs	2023 Range of unobservable inputs applied	2022 Range of unobservable inputs applied
Loans and advances to banks and customers	Discounted cash flow and/or yield for debt instruments	Credit spreads	0.38% to 6.57%	0.04% to 3.21%
Investment securities and investments linked to investment contracts	Discounted cash flow models third-party valuations earnings multiples and/or income capitalisation valuations	Risk adjusted yield curves future earnings marketability discounts and/or competitor multiples	8.5%	8.5%
Trading and hedging portfolio assets and liabilities				
Debt instruments	Discounted cash flow models	Credit spreads	0.1% - 4%	0.31% - 4.02%
Derivative assets	-	-	-	-
Deposits due to customers	Discounted cash flow models	Absa Bank Botswana Limited's funding spreads (greater than 5 years)	1.175% - 1.425%	1.15% - 1.58%
Debt securities in issue	Discounted cash flow models	Funding curves (greater than 5 years)	1.175% - 1.425%	1.15% - 1.58%

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

45. Fair value of financial instruments not held at fair value (continued)

Group

2023

	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
Financial assets				
Cash	753 276	-	-	753 276
Balances at central bank	1 147 632	-	-	1 147 632
Due from related parties	-	2 025 897	-	2 025 897
Loans and advances to banks	-	763 847	-	763 847
Loans and advances to customers	-	-	16 568 060	16 568 060
Total	**1 900 908**	**2 789 744**	**16 568 060**	**21 258 712**
Financial liabilities				
Deposits from banks	-	427 521	-	427 521
Balances due to related parties	-	503 487	-	503 487
Deposits due to customers	-	18 699 798	-	18 699 798
Debt securities in issue	-	625 567	-	625 567
Subordinated debt	-	625 487	-	625 487
Total	**-**	**20 881 860**	**-**	**20 881 860**

2022

	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
Financial assets				
Cash	668 813	-	-	668 813
Balances at central bank	70 604	-	-	70 604
Due from related parties	-	896 035	-	896 035
Loans and advances to banks	-	1 519 124	-	1 519 124
Loans and advances to customers	-	-	16 345 752	16 345 752
Total	**739 417**	**2 415 159**	**16 345 752**	**19 500 328**
Financial liabilities				
Deposits from banks	-	902 902	-	902 902
Balances due to related parties	-	197 642	-	197 642
Deposits due to customers	-	17 004 832	-	17 004 832
Debt securities in issue	-	585 827	-	585 827
Subordinated debt	-	612 976	-	612 976
Total	**-**	**19 304 179**	**-**	**19 304 179**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

45. Fair value of financial instruments not held at fair value (continued)

Company

2023

	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
Financial assets				
Cash	753 276	-	-	753 276
Balances at central bank	1 147 632	-	-	1 147 632
Balances with related parties	-	2 051 200	-	2 051 200
Loans and advances to banks	-	763 847	-	763 847
Loans and advances to customers	-	-	16 568 060	16 568 060
Total	**1 900 908**	**2 815 047**	**16 568 060**	**21 284 015**
Financial liabilities				
Deposits from banks	-	427 521	-	427 521
Balances due to related parties	-	626 310	-	626 310
Deposits due to customers	-	18 699 798	-	18 699 798
Debt securities in issue	-	625 567	-	625 567
Subordinated debt	-	625 487	-	625 487
Total	**-**	**21 004 683**	**-**	**21 004 683**

2022

	Level 1 P '000	Level 2 P '000	Level 3 P '000	Total P '000
Financial assets				
Cash	668 813	-	-	668 813
Balances at central bank	70 604	-	-	70 604
Balances with related parties	-	922 598	-	922 598
Loans and advances to banks	-	1 519 124	-	1 519 124
Loans and advances to customers	-	-	16 345 752	16 345 752
Total	**739 417**	**2 441 722**	**16 345 752**	**19 526 891**
Financial liabilities				
Deposits from banks	-	902 902	-	902 902
Balances due to related parties	-	301 889	-	301 889
Deposits due to customers	-	17 004 832	-	17 004 832
Debt securities in issue	-	585 827	-	585 827
Subordinated debt	-	612 976	-	612 976
Total	**-**	**19 408 426**	**-**	**19 408 426**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

46. Financial instruments measured at fair value

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value Grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Group

2023

	Level 1 P '000	Level 2 P '000	Total P '000
Recurring fair value measurements			
Financial assets			
Derivative financial instruments	-	103 452	103 452
Trading portfolio assets	-	191 177	191 177
	-	**294 629**	**294 629**
Fair value through other comprehensive income			
Treasury bills and other eligible bills	2 144 414	-	2 144 414
Treasury bonds	320 481	-	320 481
	2 464 895	**-**	**2 464 895**
Financial liabilities			
Fair value through profit or loss			
Derivative financial instruments	-	96 040	96 040

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

46. Financial instruments measured at fair value (Continued)

Group
2022

	Level 1 P '000	Level 2 P '000	Total P '000
Recurring fair value measurements			
Financial assets			
Derivative financial instruments	-	129 992	129 992
Trading portfolio assets	-	80 791	80 791
Total	**-**	**210 783**	**210 783**
Fair value through other comprehensive income			
Treasury bills and other eligible bills	1 730 347	-	1 730 347
Treasury bonds	761 424	-	761 424
Total	**2 491 771**	**-**	**2 491 771**
Financial liabilities			
Fair value through profit or loss			
Derivative financial instruments	-	115 113	115 113

Company

2023

	Level 1 P '000	Level 2 P '000	Total P '000
Recurring fair value measurements			
Financial assets			
Derivative financial instruments	-	103 452	103 452
Trading portfolio assets	-	191 177	191 177
Total	**-**	**294 629**	**294 629**
Fair value through other comprehensive income			
Treasury bills and other eligible bills	2 144 414	-	2 144 414
Treasury bonds	320 481	-	320 481
Total	**2 464 895**	**-**	**2 464 895**
Financial liabilities			
Fair value through profit or loss			
Derivative financial instruments	-	96 040	96 040

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

46. Financial instruments measured at fair value (Continued)

Company
2022

	Level 1 P '000	Level 2 P '000	Total P '000
Recurring fair value measurements			
Financial assets			
Derivative financial instruments	-	129 992	129 992
Trading portfolio assets	-	80 791	80 791
Total	**-**	**210 783**	**210 783**
Fair value through other comprehensive income			
Treasury bills and other eligible bills	1 730 347	-	1 730 347
Treasury bonds	761 424	-	761 424
Total	**2 491 771**	**-**	**2 491 771**
Financial liabilities			
Fair value through profit or loss			
Derivative financial instruments	-	115 113	115 113

There has been no transfers during the year between the fair value stages 1,2 and 3.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

47. Segmental information

The Group comprises the following main business segments:

- Corporate and Investment Banking (CIB)
- Retail Business Banking and Other (RBB)
- Islamic banking

The Group has identified its reportable segments based on a combination of products and services offered to customers and clients and in the manner in which the Group's businesses are managed and reported to the CODM (Chief Operating Decision Maker).

The following summary describes the operations in each of the Group's reportable segments:

CIB: This segment offers corporate and investment banking solutions. The business models centre on delivering specialist investment banking financing risk management and advisory solutions across asset classes to corporates financial institutions and government clients. Corporate and Markets have been aggregated into CIB.

RBB: This segment provides a comprehensive range of commercial banking products and services to medium small businesses and retail customers. Retail Business Banking Head Office and Treasury have been aggregated into the RBB segment. Absa Insurance Services (Pty) Ltd is included in this segment.

Retail Banking: offers various products and services to customers through the following divisions:

- Home Loans: offers residential property-related finance solutions to customers.
- Vehicle and Asset Finance (VAF): offers customised vehicle and asset finance products and services through vehicle dealers as well as directly to retail and business customers.
- Card: provides credit cards and merchant acquiring. It includes financial services which offers credit cards.
- Personal Loans: offers unsecured instalment loans
- Transactional and Deposits: offers a range of transactional banking savings and investment products customer loyalty programme and services.
- Other: head office costs which are non-banking costs.

Islamic Banking: This is a new segment of the business and started operations towards the end of the year 2022.

Segment results

The measurement of segment results is in line with the basis of information presented to the chief operating decision maker (CODM) for internal management reporting purposes.

Assets excluding loans and advances to customers financial instruments trading portfolio assets and derivative instruments and liabilities excluding deposits due to customers derivative financial instruments and debt securities in issue are not identifiable to any one of the reportable segments and can be used interchangeably between segments. As a result these are not reviewed by the chief operating decision maker. Therefore segmental disclosure relating to these has not been provided.

All transactions between segments are carried out in the normal course of business. Our management reporting systems report our inter- segment service as a cost reduction and do not recognise them as internal revenue. Inter-segment service mainly represents utilisation of manpower resource of one segment by another on a project-by-project basis. Inter-segment services are charged based on an internal cost rate including certain indirect and direct overhead costs but without profit margin.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

47. Segmental information (Continued)

Statement of fiancial position

Group

2023

	Retail and Business Banking P '000	Corporate and Investment Banking P '000	Islamic Banking P '000	Other P '000	Total P '000
Assets					
Derivative financial instruments	-	103 452	-	-	103 452
Fair value through OCI	2 464 895	-	-	-	2 464 895
Loans and advances to customers	12 617 345	3 950 715	-	-	16 568 060
Trading portfolio assets	-	191 177	-	-	191 177
Other assets	-	-	287	5 276 873	5 277 160
Total	**15 082 240**	**4 245 344**	**287**	**5 276 873**	**24 604 744**
Liabilities					
Deposits from customers	10 720 746	7 668 732	310 320	-	18 699 798
Derivative financial instruments	-	96 040	-	-	96 040
Debt securities in issue	625 567	-	-	-	625 567
Subordinated debt	625 487	-	-	-	625 487
Other liabilities	-	-	-	1 521 689	1 521 689
Total	**11 971 800**	**7 764 772**	**310 320**	**1 521 689**	**21 568 581**

2022

	Retail and Business Banking P '000	Corporate and Investment Banking P '000	Islamic Banking P '000	Other P '000	Total P '000
Assets					
Derivative financial instruments	-	129 992	-	-	129 992
Fair value through OCI	2 491 369	-	-	-	2 491 369
Loans and advances to customers	12 113 142	4 132 624	99 986	-	16 345 752
Trading portfolio assets	-	80 791	-	-	80 791
Other assets	-	-	-	3 669 510	3 669 510
Total	**14 604 511**	**4 343 407**	**99 986**	**3 669 510**	**22 717 414**
Liabilities					
Customer accounts	10 411 822	6 492 769	100 241	-	17 004 832
Derivative financial instruments	-	115 113	-	-	115 113
Debt securities in issue	585 827	-	-	-	585 827
Subordinated debt	612 976	-	-	-	612 976
Other liabilities	-	-	-	1 547 259	1 547 259
Total	**11 610 625**	**6 607 882**	**100 241**	**1 547 259**	**19 866 007**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

47. Segmental information (continued)

Statement of comprehensive income

2023

	Retail & Business Banking P '000	Corporate & Investment Banking P '000	Islamic Banking P '000	Total P '000
Net interest income	1 014 672	384 897	865	1 400 434
Net fee and commission income	436 528	40 638	(300)	476 866
Net trading income and other income	62 052	176 144	-	238 196
Total income	**1 513 252**	**601 679**	**565**	**2 115 496**
Expected credit losses	(82 621)	6 061	-	(76 560)
Net operating income	**1 430 631**	**607 740**	**565**	**2 038 936**
Operating expenses	(861 965)	(273 762)	-	(1 135 727)
Depreciation of PPE and right of use asset	(71 874)	(5)	-	(71 879)
Amortisation of intangible assets	(689)	-	-	(689)
Total expenses	**(934 528)**	**(273 767)**	**-**	**(1 208 295)**
Profit before tax	496 103	333 973	565	830 641
Taxation	(123 077)	(82 854)	(140)	(206 071)
Profit for the year	**373 026**	**251 119**	**425**	**624 570**

2022

	Retail & Business Banking P '000	Corporate & Investment Banking P '000	Islamic Banking P '000	Total P '000
Net interest income	864 967	321 504	286	1 186 757
Net fee and commission income*	409 806	40 405	-	450 211
Net trading income and other income	42 968	178 638	(541)	221 065
Total income	**1 317 741**	**540 547**	**(255)**	**1 858 033**
Expected credit losses	(37 025)	26 603	-	(10 422)
Net operating income	**1 280 716**	**567 150**	**(255)**	**1 847 611**
Operating expenses*	(704 088)	(209 085)	-	(913 173)
Depreciation of PPE and right of use asset	(70 061)	(565)	-	(70 626)
Amortisation of intangible assets	(1 119)	-	-	(1 119)
Total expenses	**(775 268)**	**(209 650)**	**-**	**(984 918)**
Profit before tax	505 448	357 500	(255)	862 693
Taxation*	(128 541)	(75 273)	-	(203 814)
Profit for the year*	**376 907**	**282 227**	**(255)**	**658 879**

* Refer to restatement note 54.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

48. Share based payments

Description of the share-based payment arrangements

The following share-based payment arrangements were in existence during the current and prior years:

Share options expense recognised during the year

	Group		Company	
Employee expenses	2023 P '000	2022 P '000	2023 P '000	2022 P '000
Equity-settled share-based payments	(6 990)	(2 192)	(6 990)	(2 192)
Cash-settled share-based payments (Ekhaya)	(2 538)	(178)	(2 538)	(178)
Total expense recognised as employee costs	**(9 528)**	**(2 370)**	**(9 528)**	**(2 370)**

Share based reserves comprise of the Incentive Share Plan Scheme (Incentive Shares). Incentive Shares are granted to participants in the form of a provisional allocation of Absa Group shares which vest upon achieving continued service after three years. Participants do not pay to receive an award or to receive a release of shares.

Absa Group Limited Share Incentive Plan Retention Buyout Award (previously Joiners Share Value Plan – JSVP)

The Share Value Plan ("SVP") is a share-based payment arrangement. The SVP awards (and any associated notional dividends) are awarded at no cost to the participants. The awards vest in equal tranches after one two and three years with each tranche subject to its own independent non-market-related performance condition. The amount that is paid to the participants is equal to the market value of a number of Absa Group Limited ordinary shares as determined on the vesting date to the extent that the non-market-related conditions attached to the awards are met. If the Group fails to meet the minimum performance criteria the awards made in that tranche are forfeited in total. Dividends accumulate and are reinvested over the period.

Absa Group Limited Share Incentive Plan Deferred Award (previously Share Value Plan – SVP Cliff)

The Share Value Retention Plan ("SVP Cliff") is a share-based payment arrangement. The SVP Cliff awards (and any associated notional dividends) are awarded at no cost to the participants. The awards vest after three years subject to its own independent non-market related performance condition. The amount that is paid to the participants is equal to the market value of a number of Absa Group Limited's ordinary shares as determined on the vesting date to the extent that the non-market related conditions attached to the awards are met. If the Group fails to meet the minimum performance criteria the awards made in that tranche are forfeited in total. Dividends accumulate and are reinvested over the vesting period.

Absa Group Limited Share Incentive Plan Performance Award (previously Long-Term Incentive Plan – LTIP)

Qualifying participants of the Share Incentive Plan Performance Award (SIPP) will be entitled to Absa Group Limited ordinary shares either by way of a share award or a cash award that must be used to purchase Absa Group Limited ordinary shares. The Bank retains the obligation to settle in cash certain SIPP awards that are prohibited from being equity-settled. The award will be issued by the employing entity or subsidiary in the Bank. In order for the participant to be entitled to these awards the participant needs to render three years or five years (depending on the grant received) of service and the requisite performance conditions need to be met. Dividends accumulate and are reinvested over the vesting period.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

48. Share based payments (continued)

Absa Group Limited Colleague Phantom Share Scheme (Ekhaya)

The Absa Group Limited Broad Based-Black Economic Empowermen (B-BBEE) transaction resulted in the Colleague Phantom Share Scheme, which provides non-South African employees with a phantom share award. The Colleague Phantom Share Scheme is an award issued by Absa Bank Botswana Limited and provides for eligible employees to receive the cash equivalent of the Absa Group Limited Colleague Share Scheme. At the end of five years, the Scheme will vest where participants will receive the cash equivalent of the Absa Group Limited Colleague Share Scheme if they remain in the employment on 1 September 2028. Under the scheme, eligible permanent employees will be entitled to an equivalent gross value linked to the benefits which SA scheme participants will receive under the Absa Group South-African Colleque scheme, accounted for as a cash-settled share based payment arrangement.

Group

2023

	Opening balance P '000	Granted Granted P '000	Forfeited Forfeited P '000	Exercised Exercised P '000	Closing balance P '000
Equity Settled					
Long term incentive plan (LTIP)	140 558	44 033	(15 895)	(35 496)	133 200
Joiners share value plan (JSVP)	-	1 373	-	-	1 373
Share value plan (SVP)	4 422	8 699	-	(2 198)	10 923
Share value plan cliff (SVP)	35 539	19 609	-	-	55 148
Ekhaya cash-settled scheme (ECSS)	-	878 920	(9 460)	-	869 460

2022

	Opening balance P '000	Granted Granted P '000	Forfeited Forfeited P '000	Exercised Exercised P '000	Closing balance P '000
Equity Settled					
Long term incentive plan (LTIP)	171 175	38 478	(57 606)	(11 489)	140 558
Share value plan (SVP)	2 323	3 336	(1 237)	-	4 422
Share value plan cliff (SVP)	19 302	16 237	-	-	35 539
Ekhaya cash-settled scheme (ECSS)	-	-	-	-	-

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

	Weighted average share price at the exercise date		Weighted average contractual life of awards outstanding (years)		Weighted average fair value of options granted during the period	
	2023	2022	2023	2022	2023	2022
Equity Settled						
Long term incentive plan (LTIP)	75	154	1	1	185	191
Joiners share value plan (JSVP)	-	-	-	-	178	-
Share value plan (SVP)	134	86	1	1	185	-
Share value plan cliff (SVP)	-	-	1	1	185	191
Ekhaya cash-settled scheme (ECSS)	-	-	5	-	83	-

Furthermore the awards outstanding in the aforementioned schemes have no exercise price.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

49. Shareholders' information

Standard	2023 No. of Ordinary shares held	2023 % holding	Ranking
Absa Group Limited	577 964 146	67.82 %	1
FNB Botswana Nominees Re: BIFM - BPOPF Act MEM & DP EQ	81 681 268	9.59 %	2
FNBB Nominees Re: Vunani BPOPF	37 163 115	4.36 %	3
Motor Vehicle Accident Fund	18 736 440	2.20 %	4
SCBN (Pty) Ltd Re: BPOPF Lea Portfolio Co AG	14 720 466	1.73 %	5
Stanbic Nominees Botswana Re: Bifm PLEF	14 124 459	1.66 %	6
Stanbic Nominees Botswana Re: Bifm MLF	11 474 679	1.35 %	7
Stanbic Nominees Botswana Re: Ninety-One DPF (Local EQ)	8 898 564	1.04 %	8
SCBN (Pty) Ltd Re: Bifm 028914400011 UB DC PF	7 267 860	0.85 %	9
Stanbic Nominees Botswana Re Allan Gray Debswana PF	5 458 286	0.64 %	10
SCBN (Pty) Ltd Re: Iam 030/30 Metropolitan Life Bw Policy	4 334 623	0.51 %	11
Stanbic Nominees Botswana Re: Nintey-One Bw Managed Fund	3 576 521	0.42 %	12
FNBBN (Pty) Ltd Re: Ninety-One Bobdcspf	3 083 786	0.36 %	13
SCBN (Pty) Ltd Re: Bifm Wuc Staff Pension Fund	3 077 399	0.36 %	14
FNBBN (Pty) Ltd Re: Kgori Capital Alexander Forbes RF	2 875 427	0.34 %	15
STANBIC NOMINEES BOTS RE: FIRST LIGHT MULTI MANAGER GROWTH	2 759 429	0.32 %	16
STANBIC NOMINEES BOTSWANA RE :BIFM BURS EMPLOYEE PF	2 482 772	0.29 %	17
SCBN (Pty) Ltd Re: VFM Managed Prudential Fund	1 987 022	0.23 %	18
SCBN (Pty) Ltd Re: AG 028922700004 AG UB DF CON PF	1 772 748	0.21 %	19
FNB Botswana Nominees (Pty) Ltd Re:Bifm DPPF	1 588 597	0.19 %	20
Others	47 133 645	5.53 %	-
Total Shareholding	**852,161,252**	**100.00 %**	

50. Capital commitments and off balance sheet liabilities

Capital commitments

Already contracted for but not provided for

Figures in Pula thousand	2023	2022
Capital expenditure	5 133	5 748
Not yet contracted for and authorised by directors	11 867	-

This committed expenditure relates to property and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

50. Capital commitments and off balance sheet liabilities (continued)

Off balance sheet liabilities

Figures in Pula thousand	2023	2022
Undrawn commitments to customers	2 649 257	2 825 864
Letters of credit	210 204	292 470
Guarantees	470 485	221 139
Gross off balance sheet liabilities	**3 329 946**	**3 339 473**

51. New Standards and Interpretations

51.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• International tax reform - Pillar two model rules - amendments to IAS 12	01 January 2023	The impact of the amendment is not material.
• Initial application of IFRS 17 and IFRS 9 - Comparative information	01 January 2023	The impact of the amendment is not material.
• Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12	01 January 2023	The impact of the amendment is not material.
• Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023	The impact of the amendment is not material.
• Definition of accounting estimates: Amendments to IAS 8	01 January 2023	The impact of the amendment is not material.
• IFRS 17 Insurance Contracts	01 January 2023	The impact of the amendment is not material.

*After the Board initially issued IFRS 4, Insurance Contracts in March 2004, they embarked on a project to set a standard for the recognition and measurement of insurance contracts, since IFRS 4 was an interim standard that dealt mostly with the presentation and disclosure of insurance contracts, with limited recognition and measurement guidance, allowing most entities to continue with their existing accounting practices for insurance contracts.

On conclusion of the IASB's project, IFRS 17 was issued which sets out specific measurement and recognition criteria for insurance contracts.

Following the specific recognition and measurement criteria in IFRS 17, consequential amendments were also made to the presentation and disclosure requirements for insurance contracts.

This standard requires retrospective application and is effective for annual reporting periods starting on or after 1 January 2023. The standard did not have an impact on the financial statements of the Bank.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

51. New Standards and Interpretations (continued)

51.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 January 2024 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Lack of exchangeability - Amendments to IAS 21	01 January 2025	Unlikely there will be a material impact
• Supplier finance arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024	Unlikely there will be a material impact
• Amendments to IAS 1 Classification of liabilities as current or non-current with covenants	01 January 2024	Unlikely there will be a material impact
• Amendments to IFRS 16 sale and leaseback with variable payments that do not depend on an index or rate	01 January 2024	Unlikely there will be a material impact

52. Events after the reporting period

A final dividend of P375million was declared on the 20th of March 2024 subject to regulatory approval. There were no other material events to the understanding of these financial statements that occurred between the financial year end and the date of this report.

53. Interests in subsidiaries including consolidated structured entities

Absa Insurance Services Proprietary Limited and Absa Securities Botswana Proprietary Limited are wholly owned by Absa Bank Botswana Limited. The investment in Absa Insurance Services Proprietary Limited comprises 3 000 ordinary shares of no par value at P100. The investment in Absa Securities Botswana Proprietary Limited comprises 1 000 ordinary shares of no par value at P100.

54. Correction of prior period errors

During the year, the Bank identified certain items stemming from prior years requiring correction, as detailed below. The errors have been corrected by restating each of the affected financial statement line items for prior periods.

A. Certain fee and commission expenses have been reclassified as fee and commission income in accordance with the holding company's accounting policy to correct misalignment to the policy in prior years. This reclassification has had no impact on the net fee and commission income. It also had no impact on the profit after tax or any line item in the statement of financial position. The amount in question reclassified between fee and commission income and fee and commission expense amounts to P76 294 thousand.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

54. Correction of prior period errors (continued)

B. Upon reviewing identified prior years balances the Bank has addressed the recoverability of these items by writing off the balances in the periods in which they relate to. Following this evaluation, these balances were written off as irrecoverable. The net impact of these adjustments amounted to P3 24 thousand (A portion of the balance being P1 110thousand relating to accrued interest write off and P3 479thousand relating to foreign exchange debit balances accumulated on balance sheet and the (P1 347 thousand) retained earnings alignment). The balances also affected the balance sheet movements as below (2021: P135 thousand) on loans and advances to banks (P907 thousand) on loans and advances to customers (P19 089 thousand) on other receivables (P7 732thousand) as impact on deferred tax asset stemming from the adjustments P1 445 thousand tax refundable P15 630 thousand on other payables and (P4 938 thousand) current tax payable (P581 thousand) fair value reserve and (P36 528thousand retained earnings); (2022: P1 109thousand) loans and advances with customers P1 027thousand tax refundable P17 563thousand on other payables and (P13 202thousand) on retained income.

C. The additional short term incentive provision relating to the 2022 financial year was approved after that reporting period but prior to the authorisation of the related financial statements. Consequently it should have been recognised in that financial year as an adjusting post balance sheet event. The total short term incentive amount that was regarded as a prior year adjusting event amounted to P14 087thousand with an impact of P3 099thousand to deferred tax.

D. As previously disclosed in the June 2023 interim results the primary reserve balance of P150 000thousand is included as part of cash and cash equivalents since it represents readily available funds utilised by the Bank in its day-to-day operations. This followed the IFRIC Agenda decision on Demand Deposits with Restrictions on Use arising from a Contract with a Third Party and should have been applied as a change in accounting policy for the year ended 31 December 2022. This restatement had no impact on the profit after tax or any line item in the statement of financial position.

E. Purchase of trading portfolio assets (P617 500 thousand) and proceeds from disposal of trading portfolio assets (P625 134 thousand) were previously classified under net cash used in investing activities. These have now been classified under Net cash generated from operating activities. Movement in loans and advances to customers (P1 109thousand) in-line with restatement note (B) above. Additionally interest on lease liabilities (P5 495 thousand) previously classified under financing activities is now classified under operating activities therefore balance also affected interest paid line. Loans and advances to banks also moved as a result (P135thousand). The above indicated ultimately affected the cash flows from investing activities total and cash flow from financing activities.

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

54. Correction of prior period errors (continued)

Statement of Comprehensive Income

Group 2022

	Previously reported P '000	Adjustments P '000	Restated P '000
Fee and commission income (A)	590 272	(76 294)	513 978
Fee and commission expense (A)	(140 061)	76 294	(63 767)
Staff costs (C)	(471 887)	(14 087)	(485 974)
Administration and general expenses (B)	(332 492)	(3 242)	(335 734)
Profit before tax	**880 022**	**(17 329)**	**862 693**
Taxation (B) & (C)	(207 942)	4 128	(203 814)
Profit for the year	**672 080**	**(13 201)**	**658 879**

	Previously reported P '000	Adjustments P '000	Restated P '000
Profit after tax	672 080	(13 201)	658 879
Weighted average number of shares	852 161	-	852 161
Earnings per share (thebe)	**78.87**	**(1.55)**	**77.32**

Company 2022

	Previously reported P '000	Adjustments P '000	Restated P '000
Fee and commission income (A)	539 896	(76 294)	463 602
Fee and commission expense (A)	(138 542)	76 294	(62 248)
Staff costs (C)	(471 887)	(14 087)	(485 974)
Administration and general expenses (B)	(330 060)	(3 242)	(333 302)
Profit before tax	**862 120**	**(17 329)**	**844 791**
Taxation (B) & (C)	(205 942)	4 128	(201 814)
Profit for the year	**656 178**	**(13 201)**	**642 977**

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

54. Correction of prior period errors (continued)

Statement of Financial Position

Group 2022

	Previously reported P '000	Adjustments P '000	Restated P '000
Loans and advances to banks (B)	1 519 259	(135)	1 519 124
Loans and advances to customers (B)	16 347 768	(2 016)	16 345 752
Other receivables (B)	204 333	(19 089)	185 244
Deferred tax assets (C)	101 033	3 099	104 132
Taxation refundable (B)	13 873	1 027	14 900
Other payables (B) & (C)	389 592	33 193	422 785
Fair value reserve (B)	(26 774)	(580)	(27 354)
Retained income (B) & (C)	2 775 132	(49 730)	2 725 402

Company 2022

	Previously reported P '000	Adjustments P '000	Restated P '000
Loans and advances to banks (B)	1 519 259	(135)	1 519 124
Loans and advances to customers (B)	16 347 768	(2 016)	16 345 752
Other receivables (B)	199 964	(19 089)	180 875
Deferred tax assets (C)	99 229	3 099	102 328
Taxation refundable (B)	9 999	1 027	11 026
Other payables (B) & (C)	385 327	33 194	418 521
Fair value reserve (B)	(26 774)	(580)	(27 354)
Retained income (B) & (C)	2 708 383	(49 729)	2 658 654

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

54. Correction of prior period errors (continued)

Statement of Financial Position (continued)

Group - 2021

	Previously reported P '000	Adjustments P '000	Restated P '000
Loans and advances to banks (B)	1 183 600	(135)	1 183 465
Loans and advances to customers (B)	14 924 321	(907)	14 923 414
Other receivables (B)	121 345	(19 089)	102 256
Deferred tax assets (B)	107 787	(7 732)	100 055
Taxation refundable (B)	-	1 445	1 445
Other payables (B)	409 509	15 630	425 139
Current tax payable (B)	21 523	(4 938)	16 585
Fair value reserve (B)	(22 306)	(581)	(22 887)
Retained income (B)	2 435 073	(36 528)	2 398 545

Company - 2021

	Previously reported P '000	Adjustments P '000	Restated P '000
Loans and advances to banks (B)	1 183 600	(135)	1 183 465
Loans and advances to customers (B)	14 924 321	(907)	14 923 414
Other receivables (B)	120 514	(19 089)	101 425
Deferred tax assets (B)	105 321	(7 732)	97 589
Other payables (B)	408 768	15 630	424 398
Current tax payable (B)	22 968	(6 383)	16 585
Fair value reserve (B)	(22 306)	(581)	(22 887)
Retained income (B)	2 391 205	(36 528)	2 354 677

Notes to the consolidated and separate financial statements (continued)

For the year ended 31 December 2023

54. Correction of prior period errors (continued)

Statement of Cash Flows

Group - 2022

	Previously reported P '000	Adjustments P '000	Restated P '000
Cash flows from operating activities (subtotal)	**69 628**	**(147 996)**	**(78 368)**
Cash used in operations (D) & (E)	(365 886)	(1 244)	(367 130)
Net increase in loans and advances to customers (E)	(1 467 287)	1 109	(1 466 178)
Interest paid (E)	(432 465)	(5 495)	(437 960)
Decrease in statutory reserve with central bank (D)	150 000	(150 000)	-
Purchase of trading portfolio assets (E)	-	(617 500)	(617 500)
Proceeds from disposal of trading portfolio assets (E)	-	625 134	625 134
Cash flows from investing activities (subtotal)	**(38 184)**	**(7 634)**	**(45 818)**
Purchase of trading portfolio assets (E)	(617 500)	617 500	-
Proceeds from disposal of trading portfolio assets (E)	625 134	(625 134)	-
Cash flows from financing activities (subtotal)	**(130 027)**	**5 495**	**(124 532)**
Interest payment of lease liabilities (E)	(5 495)	5 495	-
Net increase/decrease in cash and cash equivalents	**(98 583)**	**(150 135)**	**(248 718)**
Cash and cash equivalents at beginning of period (D)	4 445 272	150 000	4 595 272
Cash and cash equivalents at end of period (E)	**4 346 611**	**(135)**	**4 346 476**

Group - 2022

	Previously reported P '000	Adjustments P '000	Restated P '000
Cash flows from operating activities (subtotal)	**69 628**	**(147 996)**	**(78 368)**
Cash used in operations (D) & (E)	(380 769)	(1 244)	(382 013)
Net increase in loans and advances to customers (E)	(1 467 287)	1 109	(1 466 178)
Interest paid (E)	(432 465)	(5 495)	(437 960)
Decrease in statutory reserve with central bank (D)	150 000	(150 000)	-
Purchase of trading portfolio assets (E)	-	(617 500)	(617 500)
Proceeds from disposal of trading portfolio assets (E)	-	625 134	625 134
Cash flows from investing activities (subtotal)	**(38 184)**	**(7 634)**	**(45 818)**
Purchase of trading portfolio assets (E)	(617 500)	617 500	-
Proceeds from disposal of trading portfolio assets (E)	625 134	(625 134)	-
Cash flows from financing activities (subtotal)	**(130 027)**	**5 495**	**(124 532)**
Interst payment on lease liabilities (E)	(5 495)	5 495	-
Net increase/decrease in cash and cash equivalents	**(98 583)**	**(150 135)**	**(248 718)**
Cash and cash equivalents at beginning of year (D)	4 445 272	150 000	4 595 272
Cash and cash equivalents at end of year (E)	**4 346 611**	**(135)**	**4 346 476**

Shareholder Information

Notice of an extraordinary general meeting of shareholders

Notice is hereby given of an Extraordinary General Meeting ("EGM") of shareholders of Absa Bank Botswana Limited ("Absa" or "the Company"), which will be held at/or about 10.00am on the 27th June 2024 at Protea Hotel Gaborone Masa Square, Plot 54353, New CBD, CNR 1st & Western Commercial Avenue, Gaborone, Botswana.

The purpose of the meeting is to consider and if thought fit, to adopt, with or without amendment, the following:

Special resolution Seeking Shareholder approval: To amend the Constitution[1] in terms of Section 43(2) of the Companies Act, Cap 42;01.

Proxies

A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy to attend, speak and to vote in his/her stead. A proxy need not also be a member. A proxy form is available at the end of the Company's 2023 Integrated Report. Proxy forms are also available at the office of the Company at Absa Bank Botswana Limited, Plot 74358, Building Four, Prime Plaza, Central Business District, Gaborone. Completed proxy forms must be deposited there not less than 48 hours before the meeting.

By order of the Board

Yonta Leburu
Company Secretary

Legal Advisors
Desai Law Group

Sponsoring Brokers
Imara Capital Securities

Address
Building 4 Prime Plaza, Plot 74358
Central Business District
Gaborone Botswana

[1] Further details on the proposed amendments to the constitution can be viewed on the "EGM Circular" attached hereto.

EGM Circular - Revised Absa Constitution 2024 – Explanatory notes

Definitions

"Act"	Means the Companies Act [Cap 42:01] of the laws of Botswana, as may be amended;
"EGM"	the Extraordinary general meeting to be held on Thursday 27th of June 2024;
"Absa " or "the Company"	Absa Bank Botswana Limited (registration number CO Registration number BW00001237900) incorporated in the Republic of Botswana, regulated in terms of the Banking Act Cap 46;04 and listed on the BSE;
"Board"	Board of directors of the Company;
"BSE"	the Botswana Stock Exchange;
"Central Bank"	the Bank of Botswana;
"Constitution"	the Constitution of Absa as amended as at a date hereof;
"Directors"	the Board of Directors of Absa;
"General Meeting"	the Annual General Meeting of Shareholders;
"Listings Requirements"	the listings requirements of the BSE;
"Resolutions"	the resolutions reflected in the Notice of Special Meeting incorporated within this Notice;
"Shareholders"	holders of Ordinary Shares of the Company;
"Special Resolution"	a resolution passed by 75% of the votes of all Shareholders present or represented by proxy at at the extraordinary or general meeting, and eligible to vote on the matter.

1. **Introduction**
   The purpose of this Circular is to furnish information to the Shareholders as to the proposed amendments to the Constitution of the Company by adopting a new Constitution. The resolution proposing the amendment will be tabled at the EGM scheduled for at or about 10.00am on the 27th June 2024 at Protea Hotel Gaborone Masa Square, Plot 54353, New CBD, CNR 1st & Western Commercial Avenue, Gaborone, Botswana.

2. **Reasons for amendments**
   The Company seeks to amend the Constitution of the Company to effect the substantive changes outlined below.

   The current Constitution was adopted in 2020 and requires revision to align it to current regulatory requirements, in particular the Guidelines on Corporate Governance for banks / financial institutions licenced and supervised by the Central Bank, pursuant to its authority set forth in the Bank of Botswana Act (CAP 55:01) on 14 November 2022 and implemented with effect from 15 May 2023. In particular, the main amendment is to increase the limit of Directors, from 12 to 15 and increase the limit of Non-Executive Directors from 9 to 13.

3. **Proposed amendment of Constitution**
   At the EGM, the Shareholders will be asked to approve, by special resolution: the amendment of the Constitution of the Company in terms of section 43(2) of the Companies Act to align it to current regulatory requirements and good corporate governance practices by adopting a new Constitution, a draft of which has been sent to Shareholders simultaneously with the notice convening the EGM.

   The resolution to approve the new Constitution will be incorporated in the notice convening the EGM.

4. **Recommendation by the Board**
   The Board considers that the resolution in relation to the proposed amendments to the Constitution is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of such resolution to be approved at the EGM as set out in the notice of the EGM.

5. **Announcement**
   The results of the business that is to be voted on at the EGM will be announced on the BSE and in the press within 48 hours of the EGM.

6. **Documentation available for inspection**
   Copies of the amended Constitution will be available for inspection during normal business hours on business days from Thursday 6 June 2024 at the Registered Office of the Company.

EGM Circular - revised Absa constitution 2024 – Explanatory notes continued

Clause in existing Constitution	Current Constitution	Proposed Amendments
1.2	The current Constitution lists 23 objects of the company.	While clause 1.2 is in compliance with the banking laws and regulations, we propose amending and reducing the wording at clause 1.2 to provide as follows: "1.2.1 The objects of the Company shall include: 1.2.1.1 conducting "banking business" in accordance with the Banking Act; and 1.2.1.2 conducting any activities or taking any action connected to or supportive of the banking business, in line with the strategic objectives of the Company and in accordance with the laws of Botswana." This amendment will allow the Company to adopt and or adjust its objectives as and when required to suit the environment and or the strategies of the company as these may evolve.
2.1.12	The Companies Act has been referred to as simply the **"Act"**.	We recommend referring to the Companies Act, as "the Companies Act". This will ensure that there is always certainty as to which Act is being referred to in the body of the Constitution.
2	Not applicable	We propose including the following new definitions: **"Bank of Botswana Act"** means the Bank of Botswana Act, [Cap 55:01], as may be amended; **"Banking Requirements"** means, collectively, the Bank of Botswana Act, the Banking Act, the Licensing Policy, the Corporate Governance Guidelines and any other regulations, guidelines or requirements which may be issued under the Bank of Botswana Act or the Banking Act; **"Central Bank"** means the Bank of Botswana established under the Bank of Botswana Act; **"Companies Act"** means the Companies Act [Cap 42:01] of the laws of Botswana, as may be amended; **"Corporate Governance Guidelines"** means the Guidelines on Corporate Governance for banks / financial institutions licensed and supervised by the Central Bank issued by the Central Bank, pursuant to its authority set forth in the Bank of Botswana Act (CAP 55:01) on 14 November 2022, as may be amended; **"Independent Non-Executive Director"** shall have the meaning assigned to it under the Corporate Governance Guidelines and, to the extent not already covered under the Corporate Governance Guidelines, as may from time to time be designated under and in terms of applicable governance regulations such as, but not limited to, King IV™ (as defined in clause 35 below) and any code of best practice on corporate governance adopted or recommended by the Securities Exchange;
2	The current Constitution provides the following definitions for the below terms: **"Annual Meeting"** means the meeting of Shareholders held pursuant to Act; **"Banking Act"** means the Banking Act, [Cap 46:04] of the laws of Botswana; **"Company"** means Absa Botswana Limited; **"General Meeting"** means any meeting of the members or subscribers of the Company, other than a meeting of an interest group; **"Major Transaction"** has the same meaning assigned to it in the Companies Act means: 1.1.1. the acquisition of, or an agreement to acquire, whether contingent or not, assets the value of which is more than half the value of the Company's assets before the acquisition; or 1.1.2. the disposition of, or an agreement to dispose of, whether contingent or not, assets of the Company the value of which is more than half the value of the Company's assets before the disposition; or 1.1.3. a transaction that has or is likely to have the effect of the Company acquiring rights or interests or incurring obligations or liabilities the value of which is more than half the value of the Company's assets before the transaction;	We propose that the following terms are reworded as follows: **"Annual Meeting"** means the annual meeting of Shareholders held pursuant to the Companies Act; **[Note: this provides clarity that the meeting referred to is the annual meeting contemplated under the Companies Act]** **"Banking Act"** means the Banking Act, [Cap 46:04], as may be amended; **[Note: last part included to provide clarity that the reference to the Act includes future amendments of that Act]** **"Company"** means Absa Botswana Limited, registration number BW00001237900; **"General Meeting"** means any meeting of the Shareholders of the Company; **[Note: this allows the term to be clear that it refers to a shareholder meeting]** **"Major Transaction"** has the same meaning given in the Companies Act; **[Note: this is to ensure that the term and the provisions connected thereto are fully in compliance with the Companies Act]** **"Ordinary Resolution"** means a resolution of Shareholders approved by a simple majority of the votes of those Shareholders entitled to vote and voting on a question; **[Note: this broadens the term to include resolutions passed at meetings, as contemplated in the constitution]** **"Personal Representative"** means.... 2.1.24.3 in relation to any other individual Shareholder, a person appointed or deemed to have been appointed to administer property under either the Administration of Estates Act [Cap 31:01], as may be amended, or the Insolvency Act [Cap 52:02], as may be amended, a manager appointed or deemed to have been appointed thereunder, and a done of an enduring power of attorney; **[Note: amended to include full citations of the Acts]**

EGM Circular - revised Absa constitution 2024 – Explanatory notes continued

Clause in existing Constitution	Current Constitution	Proposed Amendments
	"Ordinary Resolution" means written a resolution of Shareholders approved by a simple majority of the votes of those Shareholders entitled to vote and voting on a question; **"Personal Representative"** means... 2.1.24.3 in relation to any other individual Shareholder, a person appointed or deemed to have been appointed to administer property under either the Administration of Estates Act, or the Insolvency Act, a manager appointed or deemed to have been appointed thereunder, and a done of an enduring power of attorney; **"Securities"** has the same meaning assigned to it in the Securities Act; **"Solvency Test"** means a full enquiry into the financial state of the Company which will be satisfied if: 1.1.1 the Company is able to pay its debts as they become due in the normal course of business; and 1.1.2 the value of the Company's assets is greater than the sum of the value of its liabilities, including contingent liabilities For the purpose of the definition of the solvency test regard is to be had to the matters referred to in the Act **"Special Resolution"** means a written resolution of Shareholders approved by a majority of 75 percent, or if a higher majority is required by this Constitution, that higher majority, of the votes of the Shareholders entitled to vote and voting on the resolution.	**"Securities"** has the same meaning assigned to it in the Securities Act [Cap 56:08], as may be amended; **[Note: amended to include full citation of the Act]** **"Solvency Test"** has the meaning given in the Companies Act; **[Note: this is to ensure that the term and the provisions connected thereto are fully in compliance with the Companies Act]** **"Special Resolution"** means a resolution of Shareholders approved by a majority of 75 percent of the votes of the Shareholders entitled to vote and voting on the resolution. **[Note: this broadens the term to include resolutions passed at meetings, as contemplated in the constitution]**
5.2	The current Constitution provides that: "Shares in the Company (including different classes of Shares) may be issued which have any one or more of the following features:"	We propose redrafting the sentence to read better as follows: "Shares in the Company (including different classes of Shares), which have any one or more of the following features, may be issued:"
7.3.1.3	This clause provides that, before the Board issues Shares, it shall: "have obtained a resolution of Shareholders' approval for the issue of shares."	We propose this is amended to provide that the Board shall: "have obtained an Ordinary resolution of Shareholders' approval for the issue of shares"
7.6	The current Constitution provides that: "A copy of the Directors' certificate given in respect of the consideration for the issue of Shares shall be filed with the registrar..."	We propose this is amended to provide that the Board shall: "A copy of the Directors' certificate given in respect of the consideration for the issue of Shares shall be filed with the registrar of companies..."
8	The current Constitution provides that: ***8. "Commission"*** 8.1 The Company may pay a commission, not exceeding 5%, to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any Shares in the Company, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any Shares in the Company at any rate not exceeding five per centum of the price at which the said Shares are issued.	We propose amending clause 8 as follows by deleting sub-clauses 8.1 and 8.2 and amending the title of the clause and sub-clause 8.3 (since the Bank does not usually pay commission to subscribers of its shares):

EGM Circular – revised Absa constitution 2024 – Explanatory notes continued

Clause in existing Constitution	Current Constitution	Proposed Amendments
	8.2 Such commission may be satisfied by payment in cash or by the allotment of Shares, or partly in one way and partly in the other as shall be authorised or sanctioned by the Company in General Meeting. 8.3 The Company may also on any issue of Shares pay such brokerage as may be lawful."	**8. "Brokerage commission"** The Company may on any issue of Shares pay such brokerage commission to any party as may be lawful.
9	The current Constitution provides that: 9 "TRANSFER OF SHARES" Subject to the provisions of this Constitution, Shares may be transferred by entry of the name of the transferee in the register in accordance with the share transfer system which operates in relation to the trading of Securities on the Securities Exchange.	We propose amending this clause 9 as follows to comply with appendix 3C of the Listings Rules: **"TRANSFER OF SHARES / SECURITIES"** 9.1 Subject to the provisions of this Constitution, Shares and securities of the Company shall be freely transferable and may be transferred by entry of the name of the transferee in the register in accordance with the share transfer system which operates in relation to the trading of Securities on the Securities Exchange. 9.2 Any securities registered in the name of a deceased or insolvent shareholder shall be forfeited if the executor fails to register them in his own name or the name of an heir.
10.1.1	The current Constitution provides that: "The Board may authorise a distribution by the Company at a time, and of an amount, and to the Shareholders, it thinks fit if it is satisfied on reasonable grounds that the Company will, immediately after the distribution, satisfy the Solvency Test."	We propose redrafting the sentence to read better as follows: "The Board may authorise a distribution by the Company at any time, and of an amount, and to the Shareholders, it thinks fit provided it is satisfied on reasonable grounds that the Company will, immediately after the distribution, satisfy the Solvency Test."
19.2.2	This clause provides that a special meeting of shareholders: "shall be called by the Board on the written request of Shareholders holding not less than five percent of the voting rights entitled to be exercised on the issue."	We propose this clause is amended to provide that the meeting: "shall be called by the Board on the written request of Shareholders holding not less than sixty percent of the voting rights entitled to be exercised on the issue, as prescribed under and in terms of section 106 (2) of the Companies Act ."
19.3.3	The current constitution provides that: "A facsimile of such signed resolution is as valid and effectual as the original signed document."	We propose that the clause is amended to provide for scanned copies as well, as follows: "A facsimile **or scanned copy** of such signed resolution is as valid and effectual as the original signed document."
19.6.2 and 33.3	Clause 19.6.2 provides that: "Not less than ten days' notice of a meeting of the Board shall be given to every Director, the Securities Exchange, members and auditor of the Company and published in the X-News and a national newspaper and the notice shall include the date, time and place of the meeting and the agenda to be discussed. The agenda may be varied at any time prior to the meeting provided notice of amendment is given to all Directors and alternate Directors at least three business days prior to the meeting." While clause 33.3 also provides that: "A copy of every balance sheet, including every document required by law to be annexed thereto, which is to be laid before the Company in Annual Meeting, together with a copy of the Directors' report and the auditors' report (if auditors have been appointed) shall, not less than ten clear working days before the date of the meetings, be sent to every member (whether he is or is not entitled to receive notices of General Meetings of the Company), every holder of debentures of the Company (whether he is or is not so entitled) and all other persons so entitled, but this paragraph shall not require a copy of such documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders any shares or debentures."	We propose this clause is amended to provide that notice of a GM shall be made twenty-one clear days before such a meeting in line with section 5.9 of the Listings Rules, as follows: "Not less than twenty-one clear days' notice of a meeting of Shareholders shall be given to every Director, the Securities Exchange, the Shareholders and the auditor of the Company and published in the X-News and a national newspaper and the notice shall include the date, time and place of the meeting and the agenda to be discussed. The agenda may be varied at any time prior to the meeting provided notice of amendment is given to every Director, the Securities Exchange, the Shareholders and the auditor of the Company at least seven business days prior to the meeting." We propose this clause is amended as follows in line with section 5.9 of the Listings Rules: "A copy of the annual report for the relevant financial year which shall include the audited financial statements reported upon by the Company's auditor, which is to be laid before the Company in Annual Meeting, shall, not less than twenty-one clear days before the date of the meetings, be sent to the Securities Exchange and every Shareholder (whether he is or is not entitled to receive notices of General Meetings of the Company), every holder of debentures of the Company (whether he is or is not so entitled) and all other persons so entitled, but this paragraph shall not require a copy of such documents to be sent to any person of whose address the Company is not aware or to more than one of the joint holders any shares or debentures."

EGM Circular – revised Absa constitution 2024 – Explanatory notes continued

Clause in existing Constitution	Current Constitution	Proposed Amendments
19.6	This clause deals with notice for shareholder meetings however clauses 19.6.3 and 19.6.4 provide that: "19.6.3 An irregularity in the notice of a meeting is waived if all Directors entitled to receive notice of the meeting attend the meeting without protest as to the irregularity or if all Directors entitled to receive notice of the meeting agree to the waiver. 19.6.4 Notice of a meeting may be given by any means, including by telephone, by email or by telefax. Notice given by a letter addressed to a Director at his or her last known residential address will be deemed to have been received by the Director the day following the date the letter is posted."	The clauses are proposed to be deleted as they are misplaced. The provision relating to irregular notice of a GM is in clause 19.8 and means of issuing a notice of a GM are in clause 16.6.2.
20.3.5	The current constitution provides that: "A body corporate which is a Shareholder may appoint a representative to attend a meeting of Shareholders on its behalf in the same manner as that in which it could appoint a proxy."	We recommend amending the clause to refer to a 'juristic' person as opposed to 'body corporates' as this is a broader term covering other legal entities (who may be shareholders) beyond body corporates. "A juristic person which is a Shareholder may appoint a representative to attend a meeting of Shareholders on its behalf in the same manner as that in which it could appoint a proxy."
21.1	This clause provides that: "The minimum number of Directors shall be 5 and the maximum number shall be 12, at least half of which shall be resident in Botswana."	We propose that this clause is amended to provide as follows: "The minimum number of Directors shall be five and the maximum number shall be fifteen, at least two-thirds of which shall be resident in Botswana."
21.1	This clause provides that the Board shall be constituted as follows: 21.1.2.2 such number of non-executive Directors not exceeding 9 appointed from members of the public who have the necessary knowledge and experience to contribute successfully to the development of the Company. The majority of non-executive Directors shall be independent non-executive.	We propose that the clause be amended as follows to comply with paragraph 3.5 of the Corporate Governance Guidelines, the Board shall be constituted as follows: 21.1.2.2 such number of non-executive Directors not exceeding thirteen appointed from members of the public who have the necessary knowledge and experience to contribute successfully to the development of the Company; and 21.1.2.3 at least two-thirds of the Directors shall be Independent Non-Executive Directors.
21.2.1	This clause provides that: "Directors shall be the persons appointed from time to time as Directors by an ordinary resolution of Shareholders, who have not been removed or been disqualified or resigned from office under this Constitution"	We propose that the clause be amended as follows: "Subject to obtaining prior approval from the Central Bank in accordance with the Banking Requirements, a Director shall be a person appointed from time to time as such by an Ordinary Resolution of Shareholders."
21.2.3	This clause provides that: "A Director holds office until his or her resignation, retirement, disqualified or removal in accordance with this Constitution."	We propose that the clause be amended as follows: "Subject to the limitation in clause 21.6.4, a Director holds office until he or she resigns, retires, is disqualified or removed as a Director in accordance with the Companies Act, the Banking Requirements and or this Constitution." See clause 21.6.4 below for reference.
21.3.1	This clause provides that: In addition to the appointment or removal of Directors under clause 21.2 of this Constitution, a Director may be appointed or removed from office by an ordinary resolution.	We propose that this clause is deleted as it is a repetition of clauses 21.2.1 and 21.2.2.

EGM Circular - revised Absa constitution 2024 – Explanatory notes continued

Clause in existing Constitution	Current Constitution	Proposed Amendments
21.4	This clause provides that: "21.4.1 A person will be disqualified from holding the office of Director if he or she is removed under this clause of this Constitution or he or she: 21.4.1.1 dies; 21.4.1.2 is under 18 years of age; 21.4.1.3 attains or is over the age of 70 years; 21.4.1.4 is an un-discharged bankrupt; 21.4.1.5 is prohibited by the Act from being a Director or officer or promoter or taking part in the management of the Company; or 21.4.1.6 resigns in writing."	We propose revising it to state as follows: "21.4.1 No person shall be appointed a Director of the Company: 21.4.1.1 if that person is disqualified from becoming a director of a company under section 146 (2) of the Companies Act and the Banking Requirements; [Note: the instances referred to on the left are all captured under section 146 (2) of the Companies Act] and 21.4.1.2 unless the Central Bank has approved the appointment of such person in accordance with the Banking Requirements after determination by the Central Bank that the relevant person is fit and proper in accordance with the Banking Requirements.
21.5.1	The current Constitution provides that: "The Board may appoint one or more of their number to an executive office including the office of the Chief Executive, Chief Financial Officer, Managing Director, joint managing Director, assistant managing Director or manager or any other officer in the management of the Company for such period and on such terms as they think fit..."	We propose this clause is amended as follows to cover executive Directors only: "The Board may appoint one or more of their number to an executive office including the office of the Managing Director, the Finance Director, and any other executive Director of the Company for such period and on such terms as they think fit..."
21.6.1	This clause provides that: At the first Annual Meeting of the Company, all the Directors save the Managing Director for the time being shall retire. Subject to clause 21.6.4, at every Annual Meeting thereafter at least one third of the Directors for the time being shall retire from office. The Directors so to retire in each year shall be those who have been longest in office.	We propose rewording it to state as follows, as the Company has passed its first AGM: Subject to clause 21.6.4, at every Annual Meeting at least one third of the Directors for the time being shall retire from office. The Directors so to retire in each year shall be those who have been longest in office.
New clause 21.6.4	Not applicable	We propose a new clause 21.6.4 which provides as follows, in compliance with paragraph 3.13 of the Corporate Governance Guidelines: "Notwithstanding anything contained in this clause 21.6, a non-executive Director shall not be a Director of the Company for a cumulative period of more than 10 years."
21.6.6	This clause provides that: "Notwithstanding anything to the contrary contained in clause 21.6.2, any person employed under a contract with the Company, which contract has a condition thereof that the person shall be a Director of the Board, that person shall not be subject to retirement by rotation as envisaged in clause 21.6.2, but the period for which that person shall be a Director and hold office as such shall be determined by the terms and conditions of his contract with the Company, provided that less than half of the Directors may be appointed to any such position on the condition that they will not be subject to retirement by rotation."	We propose revising the clause to state as follows: "Notwithstanding anything to the contrary contained in clause 21.6.2, any person employed under a contract with the Company, which contract has a condition thereof that the person shall be an executive Director of the Board, that person shall not be subject to retirement by rotation as envisaged in clause 21.6.2, but the period for which that person shall be a Director and hold office as such shall be determined by the terms and conditions of his contract with the Company."
21.7	This clause provides that: "Every Director may, by notice given in writing to the Company, appoint any person (including any other Director) to act as an alternate Director in the Director's place, either generally or in respect of a specified meeting or meetings during the Director's absence or inability to act as a Director. Every Director may, at the Director's discretion, by notice in writing to the Company, remove that Director's alternate Director."	We propose revising this clause to state as follows as, in our view, alternates also require approval by the Central Bank: "Subject to obtaining prior approval from the Central Bank, every Director may appoint any person (including any other Director) to act as an alternate Director in the Director's place, either generally or in respect of a specified meeting or meetings during the Director's absence or inability to act as a Director. Every Director may, at the Director's discretion, by notice in writing to the Company, remove that Director's alternate Director."

EGM Circular - revised Absa constitution 2024 – Explanatory notes continued

Clause in existing Constitution	Current Constitution	Proposed Amendments
21. 9.2 and 21.9.3	These clauses provide that: "The Board has, and may exercise, all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the Company, except to the extent that this Constitution or the Act expressly requires those powers to be exercised by the Shareholders or any other person." "In the exercise of its powers the Board shall report to and be accountable to its Shareholders."	We propose revising this clause to state as follows, as the Banking Act is clear the Board is accountable to the depositors via the Central Bank: "The Board has, and may exercise, all the powers necessary for managing, and for directing and supervising the management of, the business and affairs of the Company, except to the extent that this Constitution, the Companies Act and or the Banking Act expressly requires those powers to be exercised by the Shareholders or any other person." "In the exercise of its powers the Board shall report to and be accountable to its Shareholders and the Central Bank, in accordance (i) with the Companies Act and the Banking Requirements and (ii) any other applicable legislative or regulatory requirement pertaining to the business and affairs of the Company."
23.1	This clause provides that: "Subject to any agreement in writing between the Shareholders relating to funding of the Company as may have been entered into, the Board may borrow or raise money from time to time as follows:"	We propose revising this clause to state as follows as the agreement referred to in the clause is inapplicable in a listed environment: "Subject to the provisions of this Constitution and the Banking Requirements, the Board may borrow or raise money from time to time as follows:"
23.3	The current Constitution provides that: "Subject to the provisions of the Act a may create and issue secured or unsecured debentures, which may be effected by means of a pledge, cession, mortgage bond, collateral mortgage bond, notarial bond, notarial surety bond, collateral notarial bond or any form of collateral security over incorporeal rights, movable and immovable property, issued in favour of one or more debenture-holders or to a trustee for debenture-holders, on the basis that..."	We propose amending this clause to provide that it is also subject to the Banking Act as follows: "Subject to the provisions of the Companies Act and the Banking Act, the Company may create and issue secured or unsecured debentures, which may be effected by means of a pledge, cession, mortgage bond, collateral mortgage bond, notarial bond, notarial surety bond, collateral notarial bond or any form of collateral security over incorporeal rights, movable and immovable property, issued in favour of one or more debenture-holders or to a trustee for debenture-holders, on the basis that..."
New clause 24.1.3	Not applicable	We propose a new clause providing as follows, in accordance with King IV™, the Corporate Governance Guidelines and internal policies: "The chairperson of the Board shall not become a chairperson of any committee of the Board and shall not be a member of the audit committee of the Board."
24.4.1	This clause provides that: "A quorum for a meeting of the Board shall be a minimum of three non-executive Directors"	We propose revising the clause to provide that: "A quorum for a meeting of the Board shall be a majority of the Directors. "
24.5.5	This clause provides that: A Director may not vote in respect of any transaction in which the Director is interested as defined in the Act, and if the Director does so the Director's vote will not be counted and the Director will not be counted in the quorum present at the meeting.	We propose deletion of this clause as it is a repetition of clause 28.2.

EGM Circular - revised Absa constitution 2024 – Explanatory notes continued

Clause in existing Constitution	Current Constitution	Proposed Amendments
24.7.2 and 37.	Provides that: Any such resolution may consist of several documents (including facsimile or other similar means of communication) in like form each signed or assented to by one or more Directors. A fax transmission of a Director's signed resolution shall be acceptable evidence that such resolution has been signed by the Director whose signature appears on the fax transmission.	Generally amended clause to provide for email transmissions in addition to facsimile.
32	The current Constitution provides that: "32.2...The duties of the auditors shall be regulated in accordance with the statutes." 32.3 "Subject to the provisions of the statutes, all acts done by any person acting as an Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that at the time of his appointment he was not qualified for appointment."	We propose that the reference to 'statute' in the clause is replaced with 'applicable laws' "32.2...The duties of the auditors shall be regulated in accordance with the applicable laws." 32.3 "Subject to the provisions of the applicable laws, all acts done by any person acting as an Auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that at the time of his appointment he was not qualified for appointment."

By order of the Board

Yonta Leburu
Company Secretary

Address
Building 4 Prime Plaza, Plot 74358
Central Business District
Gaborone Botswana

Legal Advisors
Desai Law Group

Sponsoring Brokers
Imara Capital Securities

Extraordinary general meeting proxy form

Please complete in block letters.

I / We ______________________________

of ______________________________

being a shareholder (s) of Absa Bank Botswana Limited, hereby appoint

____

or failing him/her ______________________________

or failing him/her ______________________________

as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at 10.00am on the 27th June 2024 at Protea Hotel Gaborone Masa Square, Plot 54353, New CBD, CNR 1st & Western Commercial Avenue, Gaborone, Botswana, which will be held for purposes of passing the proposed resolutions and to vote for / against the resolutions and or abstain from voting in respect of the following:

	For	Against	Abstain
Special resolution 1			

As witness my hand this____________ day of ________________2024

Signature

____

Witness

____

Note:

1. Each shareholder entitled to attend and vote at this meeting is entitled to appoint one or more proxies to act in the alternative to attend, vote and speak in his stead. A proxy need not be a shareholder of the company.
2. Any alteration or correction made to this form of proxy (including the deletion of alternatives) must be initialled by the signatory/ signatories.
3. This form of proxy should be signed and returned to the business address of the Company, Head Office Fifth Floor, Building 4, Prime Plaza, Plot 74358, Gaborone, Central Business District or emailed to **investor@dss.co.bw** no later than 48 hours before the meeting.

Notice to shareholders

For the year-ended 31 December 2023

Annual General Meeting of the Shareholders of Absa Bank Botswana Limited

Notice is hereby given that the 38th Annual General Meeting of shareholders of Absa Bank Botswana Limited will be held at or about 11.00am on the 27th June 2024 at Protea Hotel Gaborone Masa Square, Plot 54353, New CBD, CNR 1st & Western Commercial Avenue, Gaborone, Botswana, for the following purpose[1]:

1. The adoption of the Annual Financial Statements for the year ended 31 December 2023 together with the Directors' and Independent Auditor's reports thereon.
2. To approve the declared interim dividend of 14.43 thebe per share and final dividend of 44 thebe per share, for the year ended 31 December 2023.
3. To re-elect as a director, Thabo Kagiso Matthews, who retires by rotation in accordance with the Constitution, and who being eligible, offers himself for re-election.
4. To re-elect as a director, Saviour Mwepu Chibiya, who retires by rotation in accordance with the Constitution, and who being eligible, offers himself for re-election.
5. To re-elect as a director, Sari Helena Nikka, who retires by rotation in accordance with the Constitution, and who being eligible, offers herself for re-election.
6. To approve the remuneration of the Directors for the ensuing year.
7. To approve the remuneration of the Auditors, KPMG Botswana, for the year ended 31 December 2023.
8. To approve the appointment of Auditors, KPMG Botswana, for the ensuing year.
9. To approve, by special resolution, any substantial gifts made by the Company, details of which are available at the Company's registered office for perusal.

In the event that you wish to nominate any person(s) as directors or auditors other than one of the directors retiring or incumbent auditors, you must deliver to the Company Secretary, not less than 7 (seven) nor more than 14 (fourteen) clear days before the date of the meeting, a nomination signed by a member qualified to attend and vote at the meeting with notice by the nominated persons that they are willing to be elected as directors or auditors, as the case may be.

Proxies

A member entitled to attend and vote at the above-mentioned meeting is entitled to appoint a proxy to attend, speak and to vote in his/her stead. A proxy need not also be a member. A proxy form is available at the end of the Absa Bank Botswana Limited 2023 Integrated Report.

Proxy forms are also available at the office of the Company at Absa Bank Botswana Limited, Plot 74358, Building Four, Prime Plaza, Central Business District, Gaborone. Completed proxy forms must be deposited there not less than 48 hours before the meeting.

By order of the Board

Yonta Leburu
Company Secretary

Address
Building 4 Prime Plaza, Plot 74358
Central Business District
Gaborone Botswana

[1] Further details on all resolutions can be viewed on the "Annexure to the Notice" attached hereto.

Annexure to the notice to shareholders

For the year-ended 31 December 2023

Annual General Meeting of the Shareholders of Absa Bank Botswana Limited

Resolution 3. To re-elect as a director Thabo Kagiso Matthews, who retires by rotation in accordance with the Constitution, and who being eligible, offers himself for re-election.

Thabo Kagiso Matthews Profile

Thabo has over 28 years of professional experience and joined the Bank's Board in March 2022. He has worked as the Managing Director of Sechaba Breweries Holdings Limited and in other senior positions for organisations such as Barclays Bank, Mascom Wireless, KPMG Consulting, Accenture and Deloitte Consulting.

For much of his career, Thabo has provided management consulting services to organisations in the public and private sector in Botswana and South Africa. After heading Deloitte Botswana's consulting offering, Thabo established his own consulting firm providing services to clients directly and through subcontractor services and recently expanded his entrepreneurial interests by venturing into the information technology and transportation spaces. Thabo has served on various boards such as Botswana Life Retirement Annuity Fund, Bayport Financial Services, Standard Chartered Bank Education Trust, Sechaba Brewery Holdings Limited and Kgalagadi Breweries Limited. He is currently an independent non-executive director at (G4S Botswana Limited). Thabo holds a Bachelor of Arts (Honours) in Economics and Computer Science from Sussex University (United Kingdom).

Resolution 4. To re-elect as a director Saviour Mwepu Chibiya, who retires by rotation in accordance with the Constitution, and who being eligible, offers himself for re-election.

Saviour Mwepu Chibiya Profile

Saviour has over 30 years of professional experience and joined the Bank's Board in April 2022 as the Absa Group Limited ("Absa Group") nominee. Saviour is a seasoned banking executive with a career spanning across institutions such as Citibank, Barclays Bank, and Absa Group. Noteworthy roles within Absa Group include serving as Chief Executive of Absa Regional Operations overseeing business operations in 11 African countries, Regional Managing Director responsible for six banks, and Corporate Bank Head for Africa (excluding South Africa). He previously held the position of Chief Executive Officer at Barclays Bank Zambia PLC, CEO at Citibank Zambia Limited, and Citibank Country Head in Ghana.

Saviour has served on various Boards and is a former Chairman of the Bankers Association of Zambia. He is a Fellow of the Zambia Institute of Banking and Financial Services and holds an Economics degree from the University of Zambia.

Annexure to the notice to shareholders continued

For the year-ended 31 December 2023

Resolution 5. To re-elect as a director Sari Helena Nikka, who retires by rotation in accordance with the Constitution, and who being eligible, offers herself for re-election.

Sari Helena Nikka Profile

Sari has over 25 years of professional experience primarily in international finance, and joined the Bank's Board in March 2020. She previously served as the Chief Executive Officer of Norsad Finance Limited (Botswana, Zambia), which is an impact investor and regional private credit firm offering medium to long-term risk capital to mid-market growth companies across the Southern Africa (SADC) region. Sari has considerable experience in risk management and international best practices on environmental, social and governance (ESG) standards. Prior to working for Norsad, Sari was the Programme Director (Finnpartnership) and Senior Investment Manager for Finnfund, the Finnish development financier and professional impact investor investing in responsible and profitable businesses in developing countries; as well as a Project Finance Advisor for Finnvera Plc (Finland), which is a specialised financing company that promotes Finnish exports to emerging markets and developing countries.

Sari has served on various boards and board committees of companies and investment funds investing in Africa, Asia, Latin America and Eastern Europe. She has a range of experience from project finance, senior debt instruments, mezzanine and equity investments; as well as financing solutions for microfinance institutions and commercial banks. Sari holds a Masters of Science in Economics and Business Administration from Turku School of Economics and Business Administration in Finland.

Resolution 6. To approve the remuneration of the Directors for the ensuing year.

Non-Executive Director fees per annum are proposed as follows:

- Increases are generally pegged at a 10% increase from the last approved fees and will be valid for a two-year cycle. Exceptions are noted for the Board Audit Committee (50% increase) and Board Risk Committee (32% increase) in order to cater for complexity, workload as well as to align to the Market.
- Round robin applications, ad hoc board meetings and subsidiary boards are paid per sitting.
- All other fees are paid per annum as indicated. The fees are paid to directors in arrears, per month.

Annexure to the notice to shareholders continued

For the year-ended 31 December 2023

Membership	Board / Committee	Last increase by percentage (2020/2021 – 2022/2023)	Current Fees (2022 – 2023)	Proposed Fees (2024 – 2025)	Proposed increase by percentage (2022/2023 -2024/2025)
Chairman	Board	12%	BWP692 000 per annum ("PA")	BWP761 000 PA	10%
Lead Independent Director	Board	N/A	BWP120 000 PA	BWP120 000 PA	N/A
Member	Board	12%	BWP227 600 PA	BWP250 400 PA	10%
Member	Round Robin Application	N/A	BWP2 600 per application	BWP2 600 per application	N/A
Member	Special Board or Board Committee Meeting	N/A	BWP3 100 per hour capped at 6 hours	BWP3 100 per hour capped at 6 hours	N/A
Board Committees	**Audit** • Chairperson • Member	• 12% • 12%	• BWP153 000 PA • BWP76 500 PA	• BWP229 500 PA • BWP115 000 PA	• 50% • 50%
	Risk • Chairperson • Member	• 12% • 12%	• BWP90 000 PA • BWP45 000 PA	• BWP118 800 PA • BWP59 400 PA	• 32% • 32%
	Human Resources, Remuneration and Nominations • Chairperson • Member	• 12% • 12%	• BWP90 000 PA • BWP44 000 PA	• BWP100 000 PA • BWP48 400 PA	• 10% • 10%
	Credit • Chairperson • Member	• 12% • 12%	• BWP90 000 PA • BWP44 000 PA	• BWP100 000 PA • BWP48 400 PA	• 10% • 10%
	Conduct and Compliance Committee –this will be a new board committee established at the end of 2024. • Chairperson • Member	N/A	N/A	• BWP100 000 PA • BWP48 400 PA	N/A
Subsidiary Boards	Non-Executive Directors	N/A	BWP2 100 per hour capped at 6 hours	BWP2 100 per hour capped at 6 hours	N/A

Resolution 7. To approve the remuneration of the Auditors, KPMG Botswana, for the year ended 31 December 2023.

KPMG Botswana paid BWP4 382 000.00 for the year ended 31 December 2023.

Annexure to the notice to shareholders continued

For the year-ended 31 December 2023

Resolution 9. To approve, by special resolution, any substantial gifts made by the Company.

Sponsorships

Name	Amount (BWP)
Selibe Phikwe Extravaganza Tournament	50 000
Botswana Football Association	1 700 000
Broadhurst Primary School	15 000
Gantsi Farmers	15 000
Local Enterprise Authority	70 000
Orapa Golf	360 100
Botswana Association of Local Authority (BALA)	300 000
National Agric Show	260 000
Gambling Authority	75 000
Property 267	75 000
Africa must rise initiative	50 000
Total	**2 970 100**

Donations

Name	Amount (BWP)
Mogae Scholarship	328 625
Botswana Institute of Technology Research and Innovation (BITRI)	200 000
Total	**528 625**

AGM proxy form

For the year-ended 31 December 2023

Please complete in block letters.

I / We ______________________________

of ______________________________

being a shareholder (s) of Absa Bank Botswana Limited, hereby appoint

____

or failing him/her ______________________________

or failing him/her ______________________________

as my/our proxy to vote for me/us on my/our behalf at the 38th Annual General Meeting of the Company to be held at 11.00am on Thursday 27th June 2024 at Protea Hotel Gaborone Masa Square, Plot 54353, New CBD, CNR 1st & Western Commercial Avenue, Gaborone, Botswana, which will be held for purposes of passing the proposed resolutions and to vote for / against the resolutions and or abstain from voting in respect of the following:

	For	Against	Abstain
Ordinary resolution 1			
Ordinary resolution 2			
Ordinary resolution 3			
Ordinary resolution 4			
Ordinary resolution 5			
Ordinary resolution 6			
Ordinary resolution 7			
Ordinary resolution 8			
Special resolution 1			

As witness my hand this____________ day of ________________2024

Signature

____

Witness

____

Note:

1. Each shareholder entitled to attend and vote at this meeting is entitled to appoint one or more proxies to act in the alternative to attend, vote and speak in his stead. A proxy need not be a shareholder of the company.
2. Any alteration or correction made to this form of proxy (including the deletion of alternatives) must be initialled by the signatory/ signatories.
3. This form of proxy should be signed and returned to the business address of the Company, Head Office Fifth Floor, Building 4, Prime Plaza, Plot 74358, Gaborone, Central Business District or emailed to **investor@dss.co.bw** no later than 48 hours before the meeting.

Contact information

Absa Bank Botswana Limited
Incorporated in the Republic of Botswana
Registration number: BW00001237900
BSE Share code: ABBL ISIN BW0000000025

Registered office
Plot 2482b
Tshekedi Crescent Extension 9
Gaborone, Botswana

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

Company Secretary
Yonta Leburu
BWinvestorenquiries@absa.africa
5th Floor
Building 4, Prime Plaza
Plot 74358, Central Business District
Gaborone, Botswana

Desert Secretarial Services
investor@dss.co.bw
Plot 2482b
Tshekedi Crescent Extension 9
Gaborone, Botswana

Auditors
KPMG Botswana
Fairgrounds Office Park
Plot 67977
Off Tlokweng Road
PO Box 1519
Gaborone, Botswana

Transfer Secretaries
The Central Securities Depository Botswana
Plot 70667, 4th Floor, Fairscape Precinct
Fairgrounds
Private Bag 00417
Gaborone, Botswana

Customer Contact Centre
Telephone: +267 315 9575
BTC toll free: 0800 600 444
Mascom toll free: 150
Email: Botswana.CustomerService@absa.africa