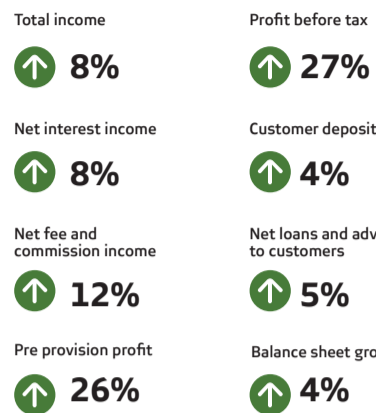


Absa Bank Botswana Limited

Condensed results of the audited consolidated financial statements
For the year ended 31 December 2024

Your story matters 



Operating environment

Global and sub-Saharan Africa outlook

The global economic fiscal landscape in 2024 was faced with several headwinds which included escalating geopolitical tensions, higher inflation, extreme weather conditions and a weak growth from key developed and emerging markets. According to the World Bank, the global economy appeared to be settled at a relatively low level of growth, one insufficient to foster sustained economic development and catch-up in per capita incomes, with the possibility of further headwinds from heightened policy uncertainty, growing trade fragmentation, slower than anticipated progress in reducing inflation, and weaker activity in major economies. Global GDP reached 3.2% and is expected to grow to 3.3% in 2025 and maintain this growth rate in 2026 (Source: OECD).

Efforts to curb severe inflationary pressure have mostly succeeded, even though price pressures persist in some markets. Despite the sharp and synchronised tight monetary policy across all key markets, the economies remained resilient through the disinflationary process to avoid any recession bringing through. The global headline inflation continued to ease in part reflecting the decrease in commodity prices coupled with the lagged effects of contractionary monetary policy. Global headline inflation reached 4.5% in 2024. The global inflation conditions eased up from mid-2024, mainly owing to the onset monetary easing witnessed in the United States and a general robust risk appetite.

Growth in the sub-Saharan Africa region improved to 3.2% in 2024, up from 2.9% recorded in 2023. The inflation pressure diverged across the region, with majority of the economies experiencing moderate price increases, partly due to the adverse weather conditions leading to droughts and floods in some parts of the Southern Africa region. The sub-Saharan region GDP growth is projected at 4.1% in 2025, this being supported by the ease in financial conditions which will bolster investor confidence and declining inflationary pressure across the region.

Local Economy

Botswana's economic landscape experienced a challenging fiscal year in 2024. The economy's GDP was on a downward trajectory from the second quarter as diamond sales were hampered by the global economic activity. According to Statistics Botswana data, the GDP declined by 2.9% in the third quarter of 2024 as the mining sector continued to underperform resulting in significantly low revenue being generated from this sector. The adverse impact was deeply felt within government coffers, as declining revenues from diamond sales necessitated an accelerated drawdown of reserves to fulfill public administration obligations.

Bank of Botswana left the Monetary Policy Rate unchanged at 1.90% since its last cut in August 2024, this being aligned with the low inflationary environment and the weak domestic demand. We anticipate that the monetary policy rate remain unchanged in the first half of 2025, in a quest to support and reaccelerate economic activity.

According to Statistics Botswana data, the average inflation rate for 2024 was 2.8% with the primary drivers being food and non-alcoholic beverages, miscellaneous goods and services sectors. The Ministry of Finance in conjunction with the Bank of Botswana changed the basket weights of the ZAR and the Special Drawing Rights (SDR) to 50%/50% respectively from the previous 24% 45% and 52% 52% basket weights. The change in the weights is intended to boost the local firms global competitiveness, manage exchange rate inflationary pressure and closely monitor the volatility of the ZAR to the BWP, since South Africa is Botswana's major trading partner. The performance of the BWP against its major trading partners will continue to be influenced by the international political and financial events. The annual downward rate of the crawl was left unchanged at 1.51% on the back of the forecasted inflation differential with Botswana's major trading peers. Based on these developments, we expect the inflation rate to average 4% for the full year 2025, which is within the Bank of Botswana medium term range.

Condensed Consolidated Statement of Comprehensive Income

For the year 31 December 2024

	31 December 2024 P'000	31 December 2023 P'000	% Change
Effective interest income	2,141,533	2,034,539	5%
Effective interest expense	(623,430)	(634,105)	-2%
Net interest income	1,518,103	1,400,434	8%
Fee and commission income	596,855	576,603	4%
Fee and commission expense	(64,541)	(99,737)	-35%
Net fee and commission income	532,314	476,866	12%
Net trading and investing income	224,287	216,633	4%
Other income	7,354	21,563	-66%
Total income	2,282,058	2,115,496	8%
Expected credit losses/impairment losses	(89,446)	(76,560)	17%
Net operation income	2,192,612	2,038,936	8%
Staff costs	(486,467)	(633,862)	-23%
Infrastructure costs	(182,968)	(183,133)	0%
Administration and general expenses	(465,378)	(391,300)	19%
Operating expenses	(1,134,813)	(1,208,295)	-6%
Profit before tax	1,057,799	830,641	27%
Taxation	(216,465)	(206,071)	5%
Profit for the year	841,334	624,570	35%

Other comprehensive income (OCI)

Items that are or may be reclassified subsequently to profit or loss:

	2024 P'000	2023 P'000	% Change
Gain/(loss) on fair value arising during the reporting year	(6,624)	25,578	-126%
Deferred tax	1,457	(5,628)	-126%
	(5,167)	19,950	-128%
Total other comprehensive income for the year,	(5,167)	19,950	-128%
Total comprehensive income for the year, net of tax	836,167	644,520	30%
Earnings per share			
Basic and diluted (thebe per share)	98.73	73.29	35%

Financial performance

The Bank demonstrated strong financial performance in 2024, with notable year-on-year growth across key financial metrics. The Bank's profit before tax for the year increased by 27%, rising from P831 million in 2023 to P1,058 million in 2024, driven primarily by improved net interest income, higher fee and commission income, and disciplined cost management. Total comprehensive income increased from P644.5 million in 2023 to P836.2 million in 2024, reflecting stable profitability and strong operational execution.

Statement of Comprehensive Income

Total income for 2024 stood at P2.28 billion, reflecting an increase of 7.9% from P2.12 billion in 2023. This growth was supported by net interest income, which rose by 8.4%, from P1.4 billion in 2023 to P1.52 billion in 2024. This was due to improved loan book growth and effective margin management. Fee and commission income saw a 12.6% increase, reaching P532.3 million from P476.9 million in 2023, driven by higher transaction volumes and new-to-bank customers. Net trading income, which increased by 3.5% to P224.3 million due to favorable trading market conditions and strong treasury performance.

Total operating expenses declined by 6.1%, from P1.21 billion in 2023 to P1.13 billion in 2024. This was largely driven by lower staff costs, which fell by 23.2% to P486.5 million in 2024, due to a reduction in restructuring-related expenses from the prior year, infrastructure and general administration costs, which remained stable despite inflationary pressures. The cost-to-income ratio improved to 49.7% in 2024, down from 57.1% in 2023, reflecting the Bank's continued focus on operational efficiency.

Pre-Provision Profits growth of 26.5% demonstrates the Bank's ability to generate strong earnings before impairments. Expense discipline played a key role, with a cost-to-income ratio improving to 49.7% from 57.1% in 2023. Net interest and fee-based income continue to drive profitability, reinforcing a diversified revenue base. Despite higher impairments (16.9%), the Bank's underlying operating strength remains solid.

Profit Before Tax (PBT) grew by 27.3%, driven by higher revenues and cost efficiencies, despite a rise in impairments. Retail & Business Banking remained the strongest performer, with profit before tax growth of 37.4%, benefiting from retail lending expansion. Corporate & Investment Banking (CIB) delivered steady growth, with PBT up 12.6%. Disciplined cost control helped sustain profitability, reflected in a 49.7% cost-to-income ratio. Impairments remain a watch area, growing by 16.9%, though well managed within the Bank's risk framework.

Statement of Financial Position

The Bank maintained a strong balance sheet position in 2024, reinforcing its financial stability and growth momentum. Total assets increased by 3.7%, reaching P25.51 billion in 2024, compared to P24.60 billion in 2023. Loans and advances to customers grew by 5.1%, from P16.57 billion in 2023 to P17.42 billion in 2024, reflecting our commitment to sustainable lending growth.

Customer deposits grew by 3.7%, increasing to P19.39 billion from P18.70 billion, reflecting strong deposit mobilisation efforts and customer confidence in the Bank. The overall balance sheet at segment level reflects a strategic balance between loan growth and deposit mobilisation. Retail banking saw a stronger expansion in both loans and deposits, reflecting consumer confidence and the success of the Bank's retail lending strategy. Meanwhile, corporate banking maintained a stable funding position, with moderate loan growth and a steady deposit base. The Bank's liquidity and capital position remained robust, supporting continued lending activity while ensuring prudent risk management. Total liabilities grew to P22.02 billion from P21.57 billion, with a stable funding structure.

Movement in Financial assets at fair value through OCI is in line with the bank's liquidity management strategy. Trading portfolio assets reduced on the back of rising bonds yields.

Capital and Liquidity Management

The Bank continues to maintain strong capital levels, with a capital adequacy ratio (CAR) of 20.65%, reflecting a slight decrease from 20.68% in 2023. Despite this modest drop, the ratio remains well above the minimum regulatory requirements and the internal limits set by the Bank's Board. The decrease is mainly due to a 5% increase in risk-weighted assets, primarily driven by balance sheet growth in line with the expansion of loans and advances. The liquidity environment in 2024 proved challenging, as the surplus market liquidity observed in the first half of the year diminished in the latter half. However, the Bank employed effective strategies that helped it navigate these difficult market conditions. As a result, the Bank's funding position remained healthy, with no Liquid Asset Ratio staying within the risk appetite and above the regulatory minimum requirement of 10%. Our liquid asset ratio (LAR) declined to 15.76% from 18% in 2023, while the growth in our funding base was buoyed by a strong performance in our Retail Franchise non-maturing deposits coupled with longer dated deposits bringing increased stability to our funding profile.

Condensed Consolidated Statement of Financial Position

As at 31 December 2024

	31 December 2024 P'000	31 December 2023 P'000	% Change
Assets			
Cash	716,116	753,276	-5%
Balances at the Central Bank	23,759	114,632	-98%
Trading portfolio assets	4,375	19,177	-98%
Derivative financial instruments	131,235	103,452	27%
Financial assets at fair value through OCI	3,600,418	2,464,895	46%
Loans and advances to banks	520,744	763,847	-32%
Due from related parties	2,622,031	2,025,897	29%
Loans and advances to customers	17,419,042	16,580,060	5%
Other receivables	204,675	280,215	-27%
Property, plant and equipment	175,601	188,763	-7%
Intangible assets	471	485	-3%
Deferred tax assets	91,376	106,779	-14%
Taxation refundable	933,968	625,487	100%
Total assets	25,514,823	24,604,744	4%

Equity and liabilities

Liabilities

Deposits from banks	498,272	427,521	17%
Due to related parties	521,569	503,487	4%
Customer deposits	19,391,772	18,699,798	4%
Derivative financial instruments	126,216	96,240	31%
Other payables	417,987	473,656	-12%
Provisions	28,927	112,974	-74%
Current tax payable	23,608	4,051	-100%
Debt securities in issue	674,950	625,567	8%
Subordinated debt	533,968	625,487	-15%
Total liabilities	22,217,269	21,568,581	3%

Shareholders' equity

Stated capital	17,108	17,108	0%
General reserves	126,989	126,989	0%
Fair value reserves	(12,571)	(7,404)	70%
Share-based payment reserve	12,453	12,563	-1%
Share capital reserve	2,060	2,060	0%
Retained income	3,151,515	2,884,847	9%
Total equity attributable to equity holders	3,297,554	3,036,163	9%
Total equity and liabilities	25,514,823	24,604,744	4%

Corporate and Investment Banking (CIB)

2024 marked a notable improvement predominantly in client experience, with a 13% year-on-year improvement illustrated by the Bank's client satisfaction with its platforms and an overall 11% year-on-year growth on Corporate Banking income. This growth is reflective of a continued focus on execution on our strategy largely underpinned by strengthening client relationships and engagement, innovative funding solutions targeted to high impact sectors, accelerated growth of our digital journey on our strategic online banking platform Absa Access Online.

While landmark transactions were executed in Healthcare, Telecommunications and Media, Education and Financial Services among others the Bank's deliberate efforts to support diversity in Botswana's economy during turbulent times has been eminent through a focus on emerging sectors including manufacturing and regional exportation via trade and working capital solutions.

Corporate Banking remains resolute in supporting Mining and Minerals in Botswana despite the current challenges with the diamond industry. Critical Metals and the mining/minerals value chain remain vital economic drivers anchored by our Ecosystem Banking proposition and a commitment to forging partnerships that deliver improved trading and operational efficiency to our clients. Our dedication to drive positive social impact in our communities remains pivotal in our quest to deliver corporate banking solutions to clients seamlessly and effectively transition their businesses towards enhanced sustainability.

In 2025 commercialisation of new and enhanced products and services aimed at improving the efficiency of tendering for projects and quicker access to liquidity for clients throughout our Corporate as well as Business Bank client segments is a key focus not withstanding our Trade Management Online – a digital trade finance online Business Banking.

Retail Banking

Our performance in 2024 reflects our unwavering commitment to understanding and supporting our clients' unique financial journeys, reinforcing our role as their primary banking partner. By consistently delivering innovative and relevant solutions, we have strengthened the resilience of our Retail Bank business in a challenging socio-economic climate. Total revenue recorded an 8.4% year-on-year growth, supported by an increase in both interest and non-interest income by 8.2% and 12% respectively. Customer deposits grew by 24%, while loans and advances increased by 5%. Our ambition to be the primary financial partner for our clients was underscored by a 4% year-on-year growth in customer numbers.

As part of our commitment to financial inclusion and expanding access to banking services, we continued to drive engagement in the informal sector through the Absa Moko Top and Bemogoo Account propositions, onboarding over 300 customers during the year. To elevate our affluent banking experience, we introduced Botswana's first-to-market smart metal card under the Visa Signature card brand. To further support our customers' financial needs, we enhanced our personal lending solutions, increasing the maximum unsecured loan limit to P750,000. Our digital journey reached its maximum loan term to 96 months. Our channel offering was enhanced through the launch of a Digital Self-Service Centre in Gaborone's CBD, 4-in-1 Branch in Francistown, and invested in 30 new ATMs.

Beyond banking, we launched the inaugural Absa Summer Kids Marathon where 1,000 children participated, promoting youth sports and financial literacy was buttressed on the Absa FutureU savings proposition for the young people. We continued to partner local authorities to ease payments through the Absa Water-Speak by Absa.

These achievements are a testament to the dedication and excellence of our colleagues, whose efforts remain integral to delivering outstanding service and shaping the future of banking in Botswana.

Business Banking

Despite economic challenges, including slow GDP growth, a low interest-rate environment, and unfavorable climate conditions such as prolonged drought, overall revenue grew by 12.8% year-over-year. This strong performance reflects the strength of our resilient and ability to navigate a complex operating environment. Net interest income increased by 5%, driven primarily by growth in both assets and liabilities, with deposits being the largest contributor. The business continues to prioritise high-yielding products to support margins in this challenging environment.

Non-funded income saw a significant 31% year-on-year growth, aligning with the Bank's strategy to diversify revenue streams. This growth was fuelled by an aggressive push to acquire new-to-bank customers and expand product adoption, leading to increased transactional activity and higher fee income.

Impairment improved by 7% year-on-year, supported by an overall improvement in portfolio quality, which resulted in some releases in the first half of the year. However, these gains were partially offset by the impact of exposures to a key client.

Loans and advances grew by 5%, propelled by improved pipeline conversion, while deposit growth was primarily driven by the company's strategic focus on capital-light and better-margin products.

In 2024 the Government of Botswana continued with its drive for Citizen Economic Empowerment program and the support in the agricultural sector by imposing the ban on importation of some horticultural products and allowing the export of five cattle mainly to South Africa. All these contributed to the growth in the Business Banking segment. Therefore, in support of government initiatives and program the Bank continued with its support of the agriculture sector by sponsoring some of the major agri events such as Chano Show, Sandveld Farmers association field day, Pundamateng Agri Show, Kooingag, and being the main sponsor for National Agricultural Show. A total of P500 thousand was spent in the sponsorship for the National Agri Show. In addition, we have actively delivered enhanced experience to our customers as demonstrated by the growth in the customer experience score, customer index score and treating the customers fairly score. This demonstrates our commitment to addressing the issues raised by our customers. For the year under review a total of P980 million was spent in funding the Business Banking customers across various sectors of the economy within the Business banking segment out of which P273.2 million supported Small and Medium Enterprises (SMEs).

The funding to the SMEs resulted in 755 new jobs created and a total of 1450 capacity development trainings were delivered to the SMEs. The business was recognised by Global Finance magazine as the Best SME Bank and the Best Agri Bank for 2024.

Active force for good in everything that we do

As a purpose driven organisation, we are clear on the importance of sustainability in everything we do. In 2024 we led the way in sustainable financing. The Bank conducted a tap issuance worth P32.6 million on our existing Sustainable Senior Unsecured Note raising the aggregate nominal amount of the bond to P80 million. We also issued a sustainability linked loan worth R400 million, approximately P700 million, which had a potential of impacting over 100 million lives by 2030 across Africa. Our efforts in the Sustainable financing earned world recognition as we received a Silver Award under the Sustainable Bond of the '2024 category from the Global SME Finance Awards.

As a Bank, we are dedicated to making a positive impact on the communities we serve. Our citizenship initiatives continued to focus on education, entrepreneurship, financial inclusion, and environmental sustainability. During the year under review, we empowered individuals through various initiatives aimed at fostering knowledge and career readiness. The F.G. Mogae Scholarship Fund awarded full scholarships to two outstanding Master's students, bringing the total number of students supported during 2024 to six. Our strategic intent remains unchanged, building on customer primary and acquisition initiatives, as we continue to diversify and grow our revenue. By investing in technology and digital innovation, we will strengthen our digital offerings to provide seamless, secure, and efficient transactional capabilities while maintaining system stability and security. Our commitment to addressing customer pain points remains a priority, ensuring that our business decisions take into consideration environmental impact. We will continue to invest in our business to ensure that we consistently deliver intuitive and seamless experiences that reflect our brand's new positioning: "Your Story Matters."

The Absa Enterprise and Supply Chain Development (ESD) Programme provided training and mentorship to 1,528 SMEs, enhancing their sustainability and competitiveness. The Bank's initiative in fostering entrepreneurship and supporting SME growth, earned it the 2024 Best SME Bank Botswana award from the Global Banking and Finance Review. Through our "Women in Business" Workshops, we equipped women with

Condensed Consolidated Statement of Changes In Equity

For the year 31 December 2024

	Stated capital P'000	General risk reserve P'000	FVOCI investment revaluation reserve P'000	Share-based payment reserve P'000	Retained earnings P'000	Share capital reserve P'000	Total equity attributable to shareholders P'000
Balance at 01 January 2023	17,108	126,864	(27,354)	7,327	2,725,402	2,060	2,851,407
Profit for the year	-	-	-	-	624,570	-	624,570
Other comprehensive income	-	-	19,950	-	(19,950)	-	-
Total other comprehensive income for the year	-	-	19,950	-	(64,520)	-	644,520
Dividends paid	-	-	-	-	(465,000)	-	(465,000)
Recognition of share based payments	-	-	-	5,236	-	-	5,236
Transfers from/(to) retained earnings	-	125	-	-	(125)	-	-
Total contributions by and distributions to owners of company	-	125	-	5,236	(465,125)	-	(459,764)
Restated balance at 31 December 2023	17,108	126,989	(7,404)	12,563	2,884,847	2,060	3,036,163
Balance at 1 January 2024	17,108	126,989	(7,404)	12,563	2,885,181	2,060	3,036,163
Profit for the year	-	-	-	-	841,334	-	841,334
Other comprehensive income	-	-	(5,167)	-	-	-	(5,167)
Total comprehensive income for the year	-	-	(5,167)	-	841,334	-	836,167
Dividends paid	-	-	-	-	(575,000)	-	(575,000)
Recognition of share based payments	-	-	-	(110)	-	-	(110)
Total contributions by and distributions to owners of company	-	-	(110)	(575,000)	(575,110)	-	(575,110)
Balance at 31 December 2024	17,108	126,989	(12,571)	12,453	3,151,515	2,060	3,297,554

Notes to the Condensed Consolidated Financial Statements

For the year 31 December 2024

Accounting policies

1. Reporting entity and basis of accounting

Absa Bank Botswana Limited is a public limited company incorporated and domiciled in Botswana. 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 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 for the year ended 31 December 2024 were authorised for issue in accordance with a resolution of the directors on 20 March 2025. The consolidated and separate 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.

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern.

2. Use of 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.