



# Absa Bank Botswana Limited

## Condensed consolidated interim financial statements For the period ended 30 June 2021

### Fee and commission income

21%

### Profit before tax

125%

### Return on equity

19%

### Pre-provision profit

9%

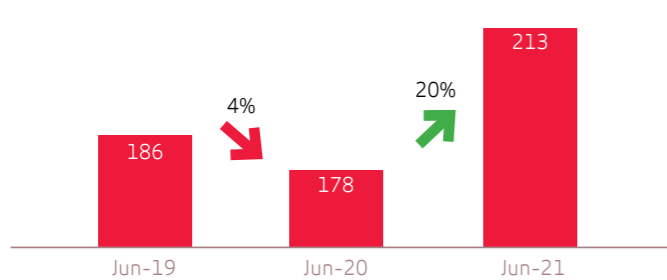
### Balance sheet growth

14%

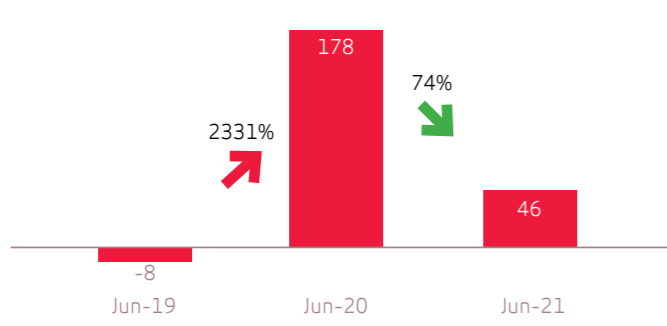
### Total dividend declared per share

9.74 thebe

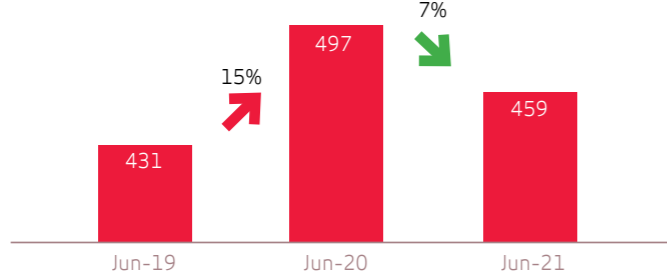
Net fee and commission income (P' million)



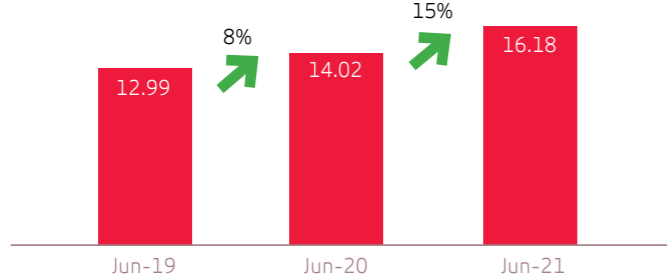
Expected credit losses (P' million)



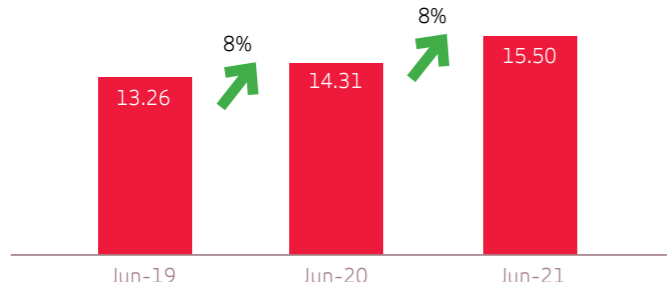
Operating expenses (P' million)



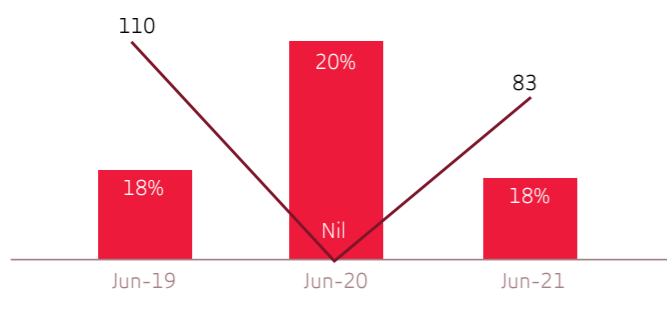
Customer deposits (P' billion)



Gross Loans and advances to customers (P' billion)



Capital adequacy ratio (post dividend declared) and dividend declared



NII/NFI Split (%)

36 Non funded income  
64 Net interest income



### Economic outlook

#### Global and Sub Saharan Africa outlook

Global economic recovery has gained strength with the International Monetary Fund (IMF) projections showing growth of 6% in 2021 before slowing to 4.9% in 2022. However there is greater divergence in the recovery due to disparities in vaccination progress with rapid vaccine rollout in advanced economies allowing consumers to return to their normal activities while the COVID-19 situation in many emerging markets and developing economies is deteriorating particularly considering that the rise in cases of the Delta variant is currently weighing on sentiment and economic activity. Secondly, emerging markets and developing economies did not have the fiscal strength that advanced economies have leveraged to support their economies since the start of the crisis.

Sub-Saharan Africa (SSA) recovery is lagging behind other regions with a 3.4% growth projected in 2021 by the IMF. These projections are underpinned by the improving global

backdrop, rising commodity prices, renewed focus on infrastructure investment, multilateral support, monetary and fiscal policy actions and favorable weather conditions. In addition, the global vaccine rollout and the hope of a rapid improvement in vaccination rates in SSA could see some normality return to economic activity by 2022. However, in the short to medium term the worsening pandemic developments in SSA are expected to weigh on the region's recovery further as most countries have reintroduced virus containment measures. With the arrival of the Delta variant, the continent is facing a third COVID-19 wave (the largest so far), and the slow progress on vaccinations means the region will remain highly vulnerable to further waves of infections in the near term. Beside the uncertainty of the pandemic's trajectory and subsequent containment measures, large fiscal constraints and rising debt burdens continue to pose a risk.

#### Local economy will return to positive growth in 2021

Botswana's economic recovery is underway with an improving outlook for diamond demand buoying medium-

to longer-term prospects. Rough diamond prices are recovering in line with stronger demand in key markets, such as the United States and China, and signs of a recovery in India. However, the economy continues to face risks and uncertainties as a result of the pandemic. The economy contracted by 8.5% in 2020 and the Ministry of Finance and Economic Development expects a rebound of 9.7% in 2021. The government's Economic Recovery & Transformation plan is likely to provide further impetus to growth.

#### Inflation and monetary policy

Monetary policymakers are confronted with surging inflation. Headline inflation averaged 4.7% in the first half of 2021 and rose to 8.9% year-on-year in July, above the 3 to 6% medium-term target range. The combination of base effects, VAT, higher food, transport and utility costs have driven inflation, which the Bank of Botswana believes will only revert to the target range by Q2 2022. This is in line with our expectation. The Monetary Policy Committee (MPC) first cautioned about the likelihood of such a breach

### Condensed consolidated statement of comprehensive income

For the period ended 30 June 2021

	Reviewed half year ended 30 June 2021 P'000	Reviewed half year ended 30 June 2020 P'000	% change
Effective interest income	657 585	697 227	(6)
Effective interest expense	(148 474)	(145 553)	2
<b>Net interest income</b>	<b>509 111</b>	<b>551 674</b>	(8)
Fee and commission income	229 343	190 263	21
Fee and commission expense	(15 933)	(11 831)	35
<b>Net fee and commission income</b>	<b>213 410</b>	<b>178 432</b>	<b>20</b>
Net trading and investing income	71 061	71 647	(1)
Other income	1 876	2 105	(11)
<b>Total income</b>	<b>795 458</b>	<b>803 858</b>	<b>(1)</b>
Expected credit losses	(45 622)	(178 454)	(74)
<b>Net operating income</b>	<b>749 836</b>	<b>625 404</b>	<b>20</b>
Staff costs	(225 108)	(262 913)	(14)
Infrastructure costs	(67 073)	(61 812)	9
Administration and general expenses	(167 280)	(171 826)	(3)
<b>Operating expenses</b>	<b>(459 461)</b>	<b>(496 551)</b>	<b>(7)</b>
Profit before tax	290 375	128 853	125
Taxation	(77 442)	(38 164)	(103)
<b>Profit for the period</b>	<b>212 933</b>	<b>90 689</b>	<b>135</b>
<b>Other comprehensive income (OCI)</b>			
Items that are or may be reclassified subsequently to profit or loss:			
<b>Financial assets at fair value (OCI)</b>			
<b>Movement in financial assets at fair value through OCI (FVOCI)</b>			
Fair value (losses)/ gains arising during the reporting period	(13 349)	6 748	(298)
Deferred tax	2 937	-	-
	(10 412)	6 748	(254)
<b>Total other comprehensive income for the period, net of tax</b>	<b>(10 412)</b>	<b>6 748</b>	<b>(254)</b>
<b>Total comprehensive income for the period, net of tax</b>	<b>202 521</b>	<b>97 437</b>	<b>108</b>
<b>Earnings per share</b>			
<b>Basic and diluted (thebe per share)</b>	<b>24.99</b>	<b>10.64</b>	<b>135</b>
<b>Headline earnings per share</b>			
<b>Basic and diluted (thebe per share)</b>	<b>24.99</b>	<b>10.64</b>	<b>135</b>

### Condensed consolidated statement of changes in equity

For the period ended 30 June 2021

	Stated capital P'000	General risk reserve P'000	FVOCI investment revaluation reserve P'000	Share-based payment reserve P'000	Retained earnings P'000	Share capital reserve P'000	Total equity attributable to shareholders P'000
<b>Balance at 1 January 2020</b>	<b>17 108</b>	<b>118 347</b>	<b>2 373</b>	<b>3 323</b>	<b>2 079 455</b>	<b>2 060</b>	<b>2 222 666</b>
Profit for the period	-	-	-	-	90 689	-	90 689
Other comprehensive income for the period	-	-	6 748	-	-	-	6 748
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>6 748</b>	<b>-</b>	<b>90 689</b>	<b>-</b>	<b>97 437</b>
Payment of dividends	-	-	-	-	(213 040)	-	(213 040)
Recognition of share-based payments	-	-	-	343	-	-	343
Capital reinvestment	-	-	-	-	43 347	-	43 347
Total transactions with owners	-	-	-	343	(169 693)	-	(169 350)
<b>Balance at 30 June 2020</b>	<b>17 108</b>	<b>118 347</b>	<b>9 121</b>	<b>3 666</b>	<b>2 000 451</b>	<b>2 060</b>	<b>2 150 753</b>
<b>Balance at 1 July 2020</b>	<b>17 108</b>	<b>118 347</b>	<b>9 121</b>	<b>3 666</b>	<b>2 000 451</b>	<b>2 060</b>	<b>2 150 753</b>
Profit for the period	-	-	-	-	206 058	-	206 058
Other comprehensive income for the period	-	-	(18 874)	-	-	-	(18 874)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(18 874)</b>	<b>-</b>	<b>206 058</b>	<b>-</b>	<b>187 184</b>
Payment of dividends	-	-	-	-	-	-	-
Recognition of share-based payments	-	-	-	(2 546)	-	-	(2 546)
Transfers from/(to) retained earnings	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	(2 546)	-	-	(2 546)
<b>Balance at 31 December 2020</b>	<b>17 108</b>	<b>118 347</b>	<b>(9 753)</b>	<b>1 120</b>	<b>2 206 509</b>	<b>2 060</b>	<b>2 335 391</b>
<b>Balance at 1 January 2021</b>	<b>17 108</b>	<b>118 347</b>	<b>(9 753)</b>	<b>1 120</b>	<b>2 206 509</b>	<b>2 060</b>	<b>2 335 391</b>
Profit for the period	-	-	-	-	212 933	-	212 933
Other comprehensive income for the period	-	-	(10 412)	-	-	-	(10 412)
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>(10 412)</b>	<b>-</b>	<b>212 933</b>	<b>-</b>	<b>202 521</b>
Payment of dividends	-	-	-	-	(225 816)	-	(225 816)
Recognition of share-based payments	-	-	-	511	-	-	511
Capital reinvestment	-	-	-	-	50 283	-	50 283
Transfers from/(to) retained earnings	-	8 516	-	-	(8 516)	-	-
Total transactions with owners	-	8 516	-	511	(184 049)	-	(175 022)
<b>Balance at 30 June 2021</b>	<b>17 108</b>	<b>126 863</b>	<b>(20 165)</b>	<b>1 631</b>	<b>2 235 393</b>	<b>2 060</b>	<b>2 362 890</b>





# Absa Bank Botswana Limited

## Condensed consolidated interim financial statements For the period ended 30 June 2021

at its April meeting but opted to leave the policy rate unchanged at 3.75%. With its focus firmly on supporting the economy and seeing the breach as temporary, we believe it is unlikely that the MPC will hike the policy rate in 2021. However, given that GDP growth turned positive in Q1 2021 (0.7% growth) and is expected to remain so in the subsequent quarters, any rise in inflation well above the Bank's expected path could trigger a policy response most likely in early 2022.

### Citizenship

In the midst of a debilitating health crisis and economic uncertainty, playing a shaping role in society remains a critical priority for us and we have introduced exciting new programs, such as, the Absa Hackathon and Incubation Program, and the Youth Hub.

Launched in January 2021, our inaugural Hackathon and Incubation Program seeks to mobilize youth innovators and connect them with our Business Banking clients so they can appreciate their major challenges and provide them with a platform to create innovative solutions.

Three teams were provided with laptops and internet connectivity to ensure consistent attendance. Over eight weeks, the teams attended weekly learning sessions with industry experts including Companies and Intellectual Property Authority, Local Enterprise Authority and Botswana Communications Regulatory Authority and attended an entrepreneurship boot camp with The NeoHub. The first prize winning team has been provided with a development and maintenance contract for their solution.

The Youth Hub, in partnership with youth-owned iBranch Recruiters, utilises our ReadytoWork program and connects participants with human resource practitioners.

It features a Career Development Programme that focuses on upskilling youth and assisting them with becoming employed. The services include CV writing, interviewing skills, email and sms job notifications, preparation for aptitude tests, industrial training, and internships.

The Youth Hub also provides entrepreneurship development through the mentorship of youth entrepreneurs in partnership with the Enterprise and Supply Chain Development (ESD) Programme and masterclasses with experts on various aspects of entrepreneurship.

We have continued with women in business thought-leadership initiatives with the first webinar about discussing our Enterprise and Supply Chain business unit, Agriculture and Procurement. The second delved into the opportunities in agriculture.

Our Colleague volunteering program remains an integral part of our Citizenship Agenda. We continue to encourage our employees to play an active role in building communities by providing small grants, matched funding and time off work to share their skills. Whilst COVID-19 has severely impacted the way in which we engage our communities, we are utilising technology to deliver education and skills development to the youth. We hosted ReadytoWork sessions where employees from various business units volunteered to speak on issues relating to money and work skills.

### Financial performance

More than a year since its outbreak, COVID-19 continues to play a significant impact in shaping and forming both the business operating environment and the economic conditions in which businesses have to operate. As previously reported, we saw economies plummet in many parts of the world and locally. We have also seen the virus progress and mutate bringing in different waves of infection, but we have also seen both businesses and the human race show up resiliently and found way of not just defeating the virus but of co-existence as well. Although some economic recovery was noted in the first half of 2021 there continues to be significant risks and uncertainties due to a steady increase in confirmed cases and future waves of this virus.

Despite the challenges in the economy, our business continues to thrive and strengthen its operational resilience month-on-month. In some parts of our business, we have noted volumes almost going up to pre COVID-19 levels, a key indicator that there has been progress in the local market to defend our economy as we learn to co-exist with this virus and its impact.

### Condensed consolidated statement of cash flows

For the period ended 30 June 2021

	Reviewed half year ended 30 June 2021 P'000	Reviewed half year ended 30 June 2020 P'000	Audited year ended 31 December 2020 P'000
<b>Cash flows from operations</b>			
Cash used in operations	(67 194)	(43 051)	(535 463)
Net increase in loans and advances to customers	(954 558)	(464 546)	(697 781)
Interest received	612 049	636 759	1 287 801
Interest paid	(146 114)	(143 287)	(283 280)
Income taxes paid net of refunds	(50 848)	(70 573)	(115 472)
(Decrease)/increase in deposits due to customers	280 672	(353 345)	1 522 860
(Increase)/decrease in long term loans due from related parties	(238 722)	27 189	(33 552)
(Decrease)/increase in long term deposits due to other banks	422 625	179 624	250 651
Increase/(decrease) in long term loans due to related parties	89 554	(159 374)	(180 306)
(Increase)/decrease trading portfolio assets	42 906	(38 377)	(212 832)*
Decrease in statutory reserve with the Central Bank	111 986	590 029	388 496
Increase in derivative financial instruments	13 131	330	3 050
<b>Net cash generated used in operating activities</b>	<b>115 487</b>	<b>161 378</b>	<b>1 394 172</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	(13 532)	(43 703)	(69 502)
Proceeds from disposal of property, plant and equipment	45	-	48
Payments for intangible assets	-	-	(2 552)
Decrease in long term financial instruments held at FVOCI	(666 299)	(656 574)	(606 432)
<b>Net cash used in investing activities</b>	<b>(679 786)</b>	<b>(700 277)</b>	<b>(678 438)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	(175 533)	(169 693)	(169 693)
Issuance of debt securities	82 500	64 472	131 000
Redemption of debt securities	(62 500)	(70 767)	(88 000)
Proceeds from subordinated debt	1 340	236 626	215 660
Payment of lease liabilities	(13 746)	(19 711)	(28 211)
<b>Net cash (used in/ generated from) financing activities</b>	<b>(167 939)</b>	<b>40 927</b>	<b>60 756</b>
<b>Net (decrease)/ increasing in cash and cash equivalents</b>	<b>(732 238)</b>	<b>(497 972)</b>	<b>776 490</b>
Cash and cash equivalents at the beginning of the period/year	4 592 116	3 815 626	3 815 626
<b>Cash and cash equivalents at the end of the period/year</b>	<b>3 859 878</b>	<b>3 317 654</b>	<b>4 592 116</b>
<b>Cash and cash equivalents comprise:</b>			
Current account with Central Bank	224 851	5 707	104 881
Repurchase agreements with Central Bank	-	403 370	459 924
Cash	467 736	493 906	645 784
Loans and advances to banks	1 483 051	1 188 434	1 010 675
Bank of Botswana notes	839 600	798 814	969 831
Loans and advances from related parties	844 640	427 423	1 401 021
<b>Cash and cash equivalents at the end of the period/year</b>	<b>3 859 878</b>	<b>3 317 654</b>	<b>4 592 116</b>

\*The trading portfolio investments are primarily held for trading. Cash flows from the trading portfolio were previously classified under cash flows from investing activities. In the current reporting period, the cash flows from the trading portfolio are classified as cash flows from operating activities with comparative cash flow reclassified.

### Segment performance

For the period ended 30 June 2021

	Retail & Business Banking P'000	Corporate & Investment Banking P'000	Other P'000	Consolidated P'000
<b>30 June 2021</b>				
<b>Statement of comprehensive income</b>				
Net interest income	384 305	124 806	-	509 111
Net fee and commission income	192 229	21 181	-	213 410
Net trading and other income	17 156	57 445	(1 664)	72 937
<b>Total income</b>	<b>593 690</b>	<b>203 432</b>	<b>(1 664)</b>	<b>795 458</b>
Expected credit losses	(48 634)	3 012	-	(45 622)
<b>Net operating income</b>	<b>545 056</b>	<b>206 444</b>	<b>(1 664)</b>	<b>749 836</b>
Operating expenses	(311 935)	(95 743)	(13 322)	(421 000)
Depreciation of PPE and right of use asset	(37 545)	(419)	-	(37 964)
Amortisation of intangible assets	(497)	-	-	(497)
<b>Total expenses</b>	<b>(349 977)</b>	<b>(96 162)</b>	<b>(13 322)</b>	<b>(459 461)</b>
<b>Profit before income tax</b>	<b>195 079</b>	<b>110 282</b>	<b>(14 986)</b>	<b>290 375</b>
Taxation	(56 477)	(24 262)	3 297	(77 442)
<b>Profit for the year</b>	<b>138 602</b>	<b>86 020</b>	<b>(11 689)</b>	<b>212 933</b>
<b>Statement of financial position</b>				
<b>Assets</b>				
Derivative financial instruments	-	11 434	-	11 434
Financial assets held at fair value through OCI	2 576 009	-	-	2 576 009
Loans and advances to customers	10 650 895	4 180 432	-	14 831 327
Trading portfolio assets	-	167 654	-	167 654
Other assets	-	-	3 870 604	3 870 604
<b>Total</b>	<b>13 226 904</b>	<b>4 359 520</b>	<b>3 870 604</b>	<b>21 457 028</b>
<b>Liabilities</b>				
Customers deposits	9 767 219	6 414 378	-	16 181 597
Derivative financial instruments	-	14 404	-	14 404
Debt securities in issue	414 754	-	-	414 754
Subordinated debt	575 816	-	-	575 816
Other liabilities	-	-	1 907 567	1 907 567
<b>Total</b>	<b>10 757 789</b>	<b>6 428 782</b>	<b>1 907 567</b>	<b>19 094 138</b>

### Segment performance

For the period ended 30 June 2020

	Retail & Business Banking P'000	Corporate & Investment Banking P'000	Other P'000	Consolidated P'000
<b>30 June 2020</b>				
<b>Statement of comprehensive income</b>				
Net interest income	419 026	132 648	-	551 674
Net fee and commission income	158 787	19 645	-	178 432
Net trading and other income	15 537	58 215	-	73 752
<b>Total income</b>	<b>593 350</b>	<b>210 508</b>	<b>-</b>	<b>803 858</b>
Expected credit losses	(142 071)	(36 383)	-	(178 454)
<b>Net operating income</b>	<b>451 279</b>	<b>174 125</b>	<b>-</b>	<b>625 404</b>
Operating expenses	(318 237)	(92 799)	(55 678)	(466 714)
Depreciation of PPE and right of use asset*	(29 676)	-	-	(29 676)
Amortisation of intangible assets*	(161)	-	-	(161)
<b>Total expenses</b>	<b>(348 074)</b>	<b>(92 799)</b>	<b>(55 678)</b>	<b>(496 551)</b>
<b>Profit before income tax</b>	<b>103 205</b>	<b>81 326</b>	<b>(55 678)</b>	<b>128 853</b>
Taxation	(32 661)	(17 892)	12 389	(38 164)
<b>Profit for the year</b>	<b>70 544</b>	<b>63 434</b>	<b>(43 289)</b>	<b>90 689</b>
<b>Statement of financial position</b>				
<b>Assets</b>				
Trading portfolio assets	-	38 377	-	38 377
Financial assets held at fair value through OCI	1 932 715	-	-	1 932 715
Derivative financial instruments	-	37 494	-	37 494
Loans and advances to customers	9 347 206	4 298 162	-	13 645 368
Other assets	-	-	3 135 977	3 135 977
<b>Total assets</b>	<b>11 279 921</b>	<b>4 374 033</b>	<b>3 135 977</b>	<b>18 789 931</b>
<b>Liabilities</b>				
Customer deposits	8 515 861	5 508 337	-	14 024 198
Derivative financial instruments	-	22 634	-	22 634
Debt securities in issue	344 699	-	-	344 699
Subordinated debt	595 322	-	-	595 322
Other liabilities	-	-	1 652 325	1 652 325
<b>Total liabilities</b>	<b>9 455 882</b>	<b>5 530 971</b>	<b>1 652 325</b>	<b>16 639 178</b>

\*Depreciation of PPE, right of use asset and amortisation of intangibles assets have been disaggregated from operating expenses for more enhanced disclosures.

### Notes to the condensed results of the reviewed consolidated financial statements

For the period ended 30 June 2021

#### Accounting policies

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

Absa Bank Botswana Limited (the "Bank") is a public company listed on the Botswana Stock Exchange and domiciled in Botswana. These condensed interim financial statements ("interim financial statements") for the six months ended 30 June 2021 comprise the company and its wholly owned subsidiaries Absa Insurance Services Proprietary Limited and Absa Securities Botswana Proprietary Limited (together referred to as the "Group"). The Bank is primarily involved in the provision of commercial retail and wholesale banking and auxiliary services. Absa Insurance Services Proprietary Limited (the "Company") is an insurance agent which earns commission fees from referral of Life and Non-Life insurance products while Absa Securities Botswana Proprietary Limited operates as an investment advisor and market maker.

These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's last audited annual consolidated financial statements as at 31 December 2020 ("last financial statements"). They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding the changes in the Group's financial position and performance since the last annual financial statements.

The Group adopted the following standards, interpretations and amended standards during the period:

**Interest Rate Benchmark Reform** – Amendments to IFRS 9, IAS 39 and IFRS 7. The impact of this standard was considered not to be material. The amendments, which are applicable for financial periods beginning on or after 1 January 2021, address issues that

might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments areas follow:

1. Modifications to financial instruments which arise as a direct consequence of IBOR reform are accounted for by updating the effective interest rate; and

2. Additional disclosure requirements.

The accounting policies are the same as the last financial statements and there have not been any significant changes.

These interim financial statements were authorised for issue by the Group's Board of Directors on 30 August 2021.

##### 2. Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements for the year ended 31 December 2020.

##### 3. Profit before income tax

Profit before tax grew significantly by 125% against the previous year, a material recovery from the June 2020 position. This performance was driven mainly by positive performance of the impairment line together with the positive momentum on our cost lines.

##### 4. Contingent liabilities and commitments

There has been no significant change in the nature of contingent liabilities and commitments with off-balance sheet risk from those reported in the annual financial statements for the year ended 31 December 2020.

	Reviewed as at 30 June 2021 P'000	Reviewed as at 30 June 2020 P'000	Audited as at 31 Dec 2020 P'000
Undrawn commitments to customers	2 042 109	2 216 440	2 209 233
Letters of credit	80 869	51 685	31 999
Guarantees	321 408	204 291	210 043
<b>Gross contingent liabilities</b>	<b>2 444 386</b>	<b>2 472 416</b>	<b>2 451 275</b>
Expected credit losses	(9 334)	(5 876)	(12 598)
	<b>2 435 052</b>	<b>2 466 540</b>	<b>2 438 677</b>

##### 5. Capital commitments

At 30 June 2021 the commitments for capital expenditure authorised and contracted for, amounted to P27 000 000 (31 December 2020: P2 800 000), and the commitments for capital expenditure authorised but not under contracted for, amounted to nil (31 December 2020: P32 400 000).

##### 6. Related party transactions

There has been no significant change in the nature of related party transactions from those reported in the annual financial statements for the year ended 31 December 2020.

##### 7. Independent auditor's report

Our independent auditors Ernst & Young have reviewed the condensed consolidated interim financial statements of Absa Bank Botswana Limited in accordance with the International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Their review report is available for inspection at the Bank's registered office. 5th Floor, Building 4 Prime Plaza Plot 74358 Central Business District Gaborone

##### 8. Events occurring after reporting date

A final dividend amounting to P83 million was declared on 30 August 2021 subject to regulatory approval.

There were no other material changes in the affairs of the Group between the 30 June 2021 period end and the date of the approval of these condensed consolidated interim financial statements. The following subsequent events however require disclosure in the financial statements:

##### Retirement of Non-Executive Director and Appointment of Independent Non-Executive Director and Board Chairman

Mr Alfred Dube retired as a Non-Executive Director and Interim Board Chairman of the Bank, effective 28 June 2021. Mr. Daniel Neo Moroka was appointed as an Independent Non-Executive Director and Board Chairman of the Bank, effective 1 July 2021.





# Absa Bank Botswana Limited

## Condensed consolidated interim financial statements For the period ended 30 June 2021

### Statement of comprehensive income

The financial performance has to be reviewed in the context of very tough operating environment together with the impact this pandemic has had on the lives of our employees, customers and our communities.

The operating environment is expected to continue to be challenging but we do expect that from the improved macroeconomic variables the business performance will also continue to improve. To this effect our profit before tax grew significantly by 125% against the previous period, a material recovery from the June 2020 position. This performance was driven mainly by positive performance of the impairment line together with the positive momentum on our cost lines. Pre-provision profit has also grown year-on-year by 9%. Consequently, we have seen Return on Equity (ROE) growing to 19%.

Our total revenue declined 1% year-on-year. Net interest income declined 8% due to margin compression driven by interest rate cuts in 2020, however the sales and transactional banking franchise realised pleasing recovery rates with volumes going up to almost pre COVID-19 levels, thereby our fee revenue grew 20% year-on-year.

Operating costs remain well contained, on a reducing trend compared to prior year. On a statutory basis operating expenses totaled P460 million representing a 7% decrease year-on-year. This was achieved by an overall reduction in spend as we continue to leverage on a leaner, rotational and digitally-led operating model. Costs in the current year have benefited from the absence of Voluntary Staff Separation exercise that happened in the first half of 2020, together with a significant reduction in separation expenses as the rebranding exercise has been completed. Our cost-to-income ratio declined 4% and ended at 58% for the period under review.

On a year-on-year basis our credit losses decreased materially by 74%. This significant drop was driven primarily by better-than-expected performance of the macroeconomic variables, predominantly GDP which carries a higher weighting in our risk models, together with improved and stable portfolio performance, loan loss rate improved to less than 1% for period ended 30 June 2021.

### Statement of financial position

Our balance sheet continues on its growth trajectory with an overall growth of 14%. Customer loans and deposits remain key components of our balance sheet and the key drivers of balance sheet growth. Our balance sheet position remains solid at a total financial position of P21.5 billion.

Customer loans grew by 9% year-on-year to P14.8 billion. We have seen increased momentum in our loan conversion rates especially in RBB where growth was driven by scheme loans, mortgage loans and Enterprise Supply-chain Development (ESD) loans. This growth is in line with our strategy to continue to lend a hand to our customers who need support during this period and support the initiatives around the citizen economic empowerment and economic diversification.

Customer deposits have registered pleasing momentum growing 15% in comparison to same period last year reaching P16 billion as of 30 June 2021. Although we have seen tightening liquidity in the market our client penetration, acquisition and retention strategy has borne much fruit especially in our CIB segment. We have noted a stable upward trend in our deposit book, a momentum which is expected to last into the rest of the months of 2021.

### Capital and liquidity management.

With our solid balance sheet position, recovery in profitability we have strengthened further our capital position which stands at P2.9 billion and representing a capital adequacy ratio of 18% against a regulatory requirement of 12.5%. Liquid assets ratio stood at 14.6% well above a regulatory limit of 10%.

### Corporate and Investment Banking (CIB)

The Corporate business closed off the first half of 2021 with year-on-year decline of 3% on total income, this is on the back of slow recovery in economic activity felt in key economic sectors which have previously contributed positively to revenue. Business sentiment and confidence remains subdued even in 2021 as uncertainty still prevails due to impact of COVID-19.

Profitability of CIB progresses on an upward trajectory with 36% growth year-on-year. This performance was supported by the resilience of our non-funded income lines and the performance of the impairment lines.

Although net interest income declined our non-interest income improved, recording a 8% year-on-year growth on account of increased transactional volumes following the stickiness of our deposit base. We have faced equal challenges on the fixed income lines as per current trends, but our sales franchise continues to perform well with run rates exceeding pre COVID-19 levels and this has bolstered the 8% growth in fee income.

Loans and advances to customers remain also muted as business expansion plans remain largely on hold with entities taking a more conservative approach. We have noted slight improvement in short-term funding as a result of this approach and not so much growth in long-term funding appetite. Some sectors of the economy like mining have started posting strong recovery, diamond buying patterns have returned to 2019 levels indicating that in the medium-long term economic activity is likely to rebound.

Customer deposits grew significantly by 16%, the growth was supported by the digital drive that we embarked on coupled by our acquisition strategy. We expected this growth trajectory to continue in the second half of the year as we strive to deliver a solid and stable funding position.

We remain optimistic that the second half will show improved activity in most sectors while hospitality awaits global recovery from the vaccine rollout.

### Retail and Business Banking (RBB)

As we continue to embrace new and different ways of work and service delivery, RBB has demonstrated resilience in the first half of 2021. This is underpinned by our focus on digital adoption and innovation as key components to helping our customers get things done; ultimately diversifying revenue streams for the bank at the back of improved customer experience.

In the first half of the year, both loans and advances and deposits due to customers grew by 14% and 16% year-on-year respectively. Overall revenue has remained flat year-on-year. Growth was realised from non interest income. This is in line with our strategy to become the go to transactional and digitally-led bank.

We continued our journey of growth and putting our customer needs at the centre of what we do. We launched Family Banking where our customers can now enjoy world class banking as a family. Botshelo Life Cover offering both term assurance and life plans, and 105% home loan financing, making home ownership easier for our customers. As a result, we have seen a 9% year-on-year growth in customer numbers. This is a true reflection of Africanacity – helping our customers get things done.

The availability of self-service channels led to a 27% year-on-year growth in the number of customers utilising our digital platforms. We continue to enhance these channels to create seamless customer experience. We partnered with Mascom Botswana to allow our customers free access to the Absa Bank App and will be extending this partnership to other mobile network providers. Our customers can also manage their debit cards, make bill payments, download, and share proof of payments on their Absa internet banking and mobile App in the comfort of their homes.

Business Banking has remained resilient despite the COVID-19 challenge and displayed growth in assets, liabilities, revenue contribution and profitability.

Our business strategy that focuses on driving Agriculture, Enterprise Supply Chain Development program and the Commercial Assets finance (CAF) through major water projects, construction and mining is on track. Through the Business Club we trained 464 Enterprises in partnership with Botswana Unified Revenue Services (BURS), Local Enterprise Authority (LEA) and other Business Services. We also signed a Memorandum of Understanding with Chamber of mines and Cummins Botswana to enable the SMEs to access their supplier value chain. In our effort to promote the digital channels we have seen an increase in number of customers on the Business Internet banking platform by 2%. Business Banking will continue to drive momentum to increase the number of SMEs accessing funding, capacity building, drive the usage of digital channels and supporting our client base to grow and contribute positively to the economy. Agriculture, CAF and ESD program remains is still our focus areas to grow the Business banking portfolio.

The focus will remain largely on creating new customer relationships and deepening existing ones by creating, enhancing and delivering products which offer value for money to our customers.

Our colleagues remain integral to the service that we offer clients and how we embody Africanacity in the way we serve our valued clients and are a critical cog as we evolve ourselves to become more digitally led. We look forward to delivering even better service to our clients, with a commitment to continue to innovate and find solutions that make us the go-to transactional bank.

### Outlook

The Bank continues to operate in a volatile, unpredictable environment due to the COVID-19 pandemic which comes with new waves of infections and variants, restricted movement and trade. However, we remain resolute in executing our refreshed strategy and focus on offering our employees and customers support in collaboration with the various stakeholders that we have partnered with.

As part of our strategy to provide customer centric transactional banking solutions, we will continue to roll out enhancements to our existing digital platforms and develop new solutions that offer our customers convenience and safety.

### Dividend

On 30 August 2021, the Absa Bank Botswana Limited Board approved an interim dividend of 9.74 thebe per share, amounting to a total dividend of P83 million. Subject to regulatory approval, the dividend is payable on 20 October 2021 to those shareholders registered at the close of business on 13 October 2021, with an ex-dividend date of 11 October 2021. In accordance with the Republic of Botswana Income Tax (Cap 52:01), as amended, applicable withholding tax will be deducted from the gross dividend by Absa Bank Botswana Limited.

### Segment reporting

For the period ended 30 June 2021

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 business are managed and reported to the chief operating decision maker (CODM).

#### Business segments

The Bank comprises the following main business segments:

#### Corporate and Investment Banking

This segment offers corporate and investment banking solutions. The business model centres 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. Absa Securities Botswana (Pty) Limited is included in this segment.

#### Retail and Business Banking

This segment provides a comprehensive range of commercial banking products and services to medium and 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.

#### Segment results

The measurement of segment results is in line with the basis of information presented to the 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 CODM. Therefore, segmental disclosure relating to these is not 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.

### Normalised view versus IFRS Consolidated statement of financial position

As at 30 June 2021

	Barclays PLC Separation			Barclays PLC Separation			Change in normalised results vs prior year %
	IFRS period ended 30 June 2021 P'000	costs, as at 30 June 2021 P'000	Normalised view, as at 30 June 2021 P'000	IFRS period ended 30 June 2020 P'000	costs, as at 30 June 2020 P'000	Normalised view, as at 30 June 2020 P'000	
<b>Assets</b>							
Cash	467 736	-	467 736	493 906	-	493 906	(5)
Balances at the Central Bank	323 851	-	323 851	418 530	-	418 530	(23)
Trading portfolio assets	167 654	-	167 654	38 377	-	38 377	337
Derivative financial instruments	11 434	-	11 434	37 494	-	37 494	(70)
Financial assets at fair value through OCI	2 576 009	-	2 576 009	1 932 715	-	1 932 715	33
Loans and advances to banks	1 483 051	-	1 483 051	1 188 217	-	1 188 217	25
Due from related companies	1 086 837	56 344	1 030 493	491 639	(295)	491 934	109
Loans and advances to customers	14 831 328	-	14 831 328	13 645 368	-	13 645 368	9
Other receivables	125 352	98	125 254	211 925	-2 732	214 657	(42)
Property, plant and equipment	272 835	1 161	271 674	233 175	25 989	207 186	31
Intangible assets	2 857	-	2 857	656	-	656	336
Deferred tax assets	108 084	-	108 084	80 818	-	80 818	34
Current tax asset	-	-	-	17 111	-	17 111	0
<b>Total assets</b>	<b>21 457 028</b>	<b>57 603</b>	<b>21 399 425</b>	<b>18 789 931</b>	<b>22 962</b>	<b>18 766 969</b>	<b>14</b>
<b>Equity and liabilities</b>							
<b>Liabilities</b>							
Deposits from banks	976 248	-	976 248	482 596	-	482 596	102
Due to related companies	376 153	-	376 153	358 514	-	358 514	5
Customer deposits	16 181 598	-	16 181 598	14 024 197	-	14 024 197	15
Derivative financial instruments	14 404	-	14 404	22 634	-	22 634	(36)
Other payables	505 315	75 103	430 212	775 184	64 464	710 720	(39)
Provisions	33 981	511	33 470	36 032	340	35 692	(6)
Current tax payable	15 869	(6 322)	20 443	-	1 791	-1 791	(1339)
Debt securities in issue	414 754	-	414 754	344 699	-	344 699	20
Subordinated debt	575 816	-	575 816	595 322	-	595 322	(3)
<b>Total liabilities</b>	<b>19 094 138</b>	<b>69 292</b>	<b>19 023 098</b>	<b>16 639 178</b>	<b>66 596</b>	<b>16 572 582</b>	<b>15</b>
<b>Shareholders' equity</b>							
Stated capital	17 108	-	17 108	17 108	-	17 108	0
General risk reserves	126 863	-	126 863	118 347	-	118 347	7
Fair value reserves	(20 165)	-	(23 102)	9 121	-	9 121	(321)
Share-based payment reserve	1 631	-	1 631	3 666	-	3 666	(56)
Share capital reserve	2 060	-	2 060	2 060	-	2 060	0
Retained income	2 235 393	(11 689)	2 247 082	2 000 451	(43 634)	2 044 085	10
<b>Total equity attributable to equity holders</b>	<b>2 362 890</b>	<b>(11 689)</b>	<b>2 374 579</b>	<b>2 150 753</b>	<b>(43 634)</b>	<b>2 194 387</b>	<b>8</b>
<b>Total equity and liabilities</b>	<b>21 457 028</b>	<b>57 603</b>	<b>21 399 425</b>	<b>18 789 931</b>	<b>22 962</b>	<b>18 766 969</b>	<b>14</b>

### Condensed Statement of Comprehensive Income

For the period ended 30 June 2021

	Barclays PLC Separation			Barclays PLC Separation			Change in normalised results vs prior year %
	IFRS period ended 30 June 2021 P'000	costs, as at 30 June 2021 P'000	Normalised view, as at 30 June 2021 P'000	IFRS period ended 30 June 2020 P'000	costs, as at 30 June 2020 P'000	Normalised view, as at 30 June 2020 P'000	
Effective interest income	657 585	-	657 585	697 227	-	697 227	(6)
Effective interest expense	(148 474)	-	(148 474)	(145 553)	-	(145 553)	2
<b>Net interest income</b>	<b>509 111</b>	<b>-</b>	<b>509 111</b>	<b>551 674</b>	<b>-</b>	<b>551 674</b>	<b>(8)</b>
Fee and commission income	229 343	-	229 343	190 263	-	190 263	21
Fee and commission expense	(15 933)	-	(15 933)	(11 831)	-	(11 831)	35
<b>Net fee and commission income</b>	<b>213 410</b>	<b>-</b>	<b>213 410</b>	<b>178 432</b>	<b>-</b>	<b>178 432</b>	<b>20</b>
Net trading income	71 061	(1 664)	72 725	71 647	(344)	71 991	1
Other income	1 876	-	1 876	2 105	-	2 105	(11)
<b>Total income</b>	<b>795 458</b>	<b>(1 664)</b>	<b>797 122</b>	<b>803 858</b>	<b>(344)</b>	<b>804 202</b>	<b>(1)</b>
Expected credit losses on loans and advances	(45 622)	-	(45 622)	(178 454)	-	(178 454)	(74)
<b>Net operating income</b>	<b>749 836</b>	<b>(1 664)</b>	<b>751 500</b>	<b>625 404</b>	<b>(344)</b>	<b>625 748</b>	<b>20</b>
Staff costs	(225 108)	-	(225 108)	(262 913)	(8 197)	(254 716)	(12)
Infrastructure costs	(67 073)	-	(67 073)	(61 812)	(3 619)	(58 193)	15
Administration and general expenses	(167 280)	(13 322)	(153 958)	(171 826)	(43 862)	(127 964)	20
<b>Operating expenses</b>	<b>(459 461)</b>	<b>(13 322)</b>	<b>(446 139)</b>	<b>(496 551)</b>	<b>(55 678)</b>	<b>(440 873)</b>	<b>1</b>
Profit before tax	290 375	(14 986)	305 361	128 853	(56 022)	184 875	65
Taxation	(77 442)	3 297	(80 739)	(38 164)	12 389	(50 553)	60
<b>Profit for the period</b>	<b>212 933</b>	<b>(11 689)</b>	<b>224 622</b>	<b>90 689</b>	<b>(43 633)</b>	<b>134 322</b>	<b>67</b>