



Absa Bank Botswana Limited

Condensed consolidated interim financial statements
For the period ended 30 June 2022

Fee and commission income

↑ 23%

Profit before tax
↑ 36%

Pre-provision profit before tax
↑ 21%

Net operating income

↑ 16%

Loans and advances to customers
↑ 5%

Annualised return on equity
↑ 5%

Economic outlook

Global and sub-Saharan Africa outlook

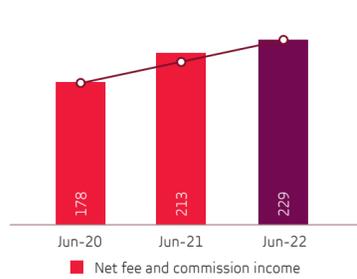
The global economy is set to weaken sharply in 2022 as several shocks continue to hit an economy that is already weakened by more than two years of the COVID-19 pandemic. The Russian Federation's invasion of Ukraine is set to sharply hasten the deceleration of global economic activity. According to International Monetary Fund forecasts, this is now expected to reduce to 3.2% in 2022, which is lower than the 6.1% growth realised in 2021. The current economic landscape is characterised by high commodity prices, supply chain disruptions, increasing food insecurity and poverty, and exacerbating inflation, contributing to tighter financial conditions, magnifying financial vulnerability and heightened policy uncertainty. Elevated inflation across the globe is eroding household purchasing power and living standards, as well as limiting consumption. Uncertainty and tighter monetary conditions are deterring business investment and threatening to curb supply for the foreseeable future while China's zero COVID-19 policy continues to weigh on the global outlook, lowering domestic growth and disrupting global supply chains. Risks to the global outlook are heavily tilted to the downside.

Growth in sub-Saharan Africa rebounded by 4.6% in 2021 after contracting by 1.6% in 2020 (IMF forecasts). The strong performance was supported by recovery in global demand, higher oil prices benefiting oil-exporting economies, easing of COVID-19 restrictions in most countries, and associated growth in domestic consumption and investment. However, the strong recovery has been interrupted, with growth now expected to decelerate to 3.8% in 2022. The commodity exporting countries stand to benefit from higher global prices, however, growth in some countries is expected to be constrained in the short term by rising prices of farm inputs, such as fuel and fertilizers. Further, tighter global financial conditions are expected to restrain access to financing for many countries while the surge in food prices negatively impacts recoveries in consumer spending, especially in countries with large vulnerable populations.

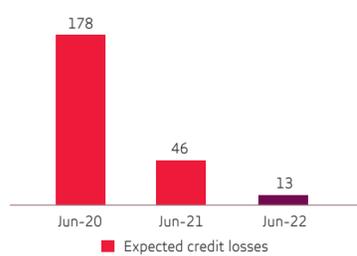
Botswana economic outlook

Botswana's economy grew 11.4% in 2021 largely driven by favourable base effects, with the mining sector strongly bouncing back after demand fell sharply in 2020. Reflecting the

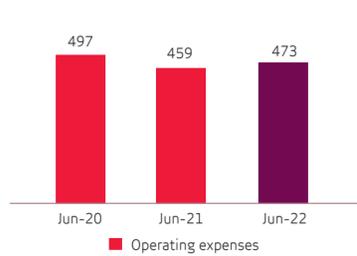
Net fee and commission income (P'million)



Expected credit losses (P'million)



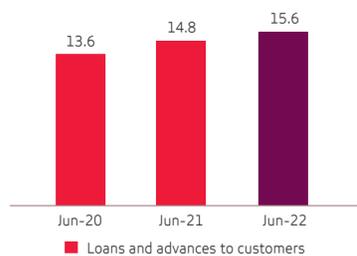
Operating expenses (P'million)



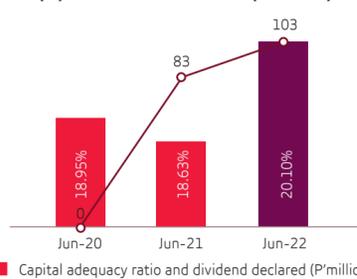
Customer deposits (P'billion)



Loans and advances to customers (P'billion)



Capital adequacy ratio (post dividend declared) (%) and dividend declared (P'million)



Condensed consolidated statement of comprehensive income

For the period ended 30 June 2022

	Reviewed half year ended 30 June 2022 P'000	Reviewed half year ended 30 June 2021 P'000	% Change
Effective interest income	742 068	657 585	13%
Effective interest expense	(192 737)	(148 474)	30%
Net interest income	549 331	509 111	8%
Fee and commission income	282 393	229 343	23%
Fee and commission expense	(53 473)	(15 933)	236%
Net fee and commission income	228 920	213 410	7%
Net trading and investing income	100 810	71 061	42%
Other income	2 051	1 876	9%
Total income	881 112	795 458	11%
Expected credit losses	(12 866)	(45 622)	(72%)
Net operating income	868 246	749 836	16%
Staff costs	(232 199)	(225 108)	3%
Infrastructure costs	(77 379)	(67 073)	15%
Administration and general expenses	(163 918)	(167 280)	(2%)
Operating expenses	(473 496)	(459 461)	3%
Profit before tax	394 750	290 375	36%
Taxation	(92 187)	(77 442)	19%
Profit for the period	302 563	212 933	42%
Other comprehensive income (OCI)			
Items that are or may be reclassified subsequently to profit or loss:			
Financial assets at fair value through OCI			
Fair value (losses)/ gains arising during the reporting period	(10 926)	(13 349)	(18%)
Deferred tax	2 404	2 937	(18%)
	(8 522)	(10 412)	(18%)
Total other comprehensive income/(loss) for the period, net of tax	(8 522)	(10 412)	(18%)
Total comprehensive income for the period, net of tax	294 041	202 521	45%
Earnings per share			
Basic and diluted (thebe per share)	35.51	24.99	42%

Condensed consolidated statement of financial position

As at 30 June 2022

	Reviewed half year ended 30 June 2022 P'000	Audited year ended 31 December 2021 P'000	% Change
Assets			
Cash	547 848	640 880	(15%)
Balances at the Central Bank	298 972	515 501	(42%)
Trading portfolio assets	83 832	84 361	(1%)
Derivative financial instruments	74 595	27 981	167%
Financial assets at fair value through OCI	1 906 193	1 968 408	(3%)
Loans and advances to banks	729 977	1 183 600	(38%)
Due from related companies	1 317 015	1 698 453	(22%)
Loans and advances to customers	15 611 852	14 924 321	5%
Other receivables	202 676	121 345	67%
Property, plant and equipment	221 477	246 141	(10%)
Intangible assets	1 716	2 273	(25%)
Deferred tax assets	100 387	107 787	(7%)
Current tax asset	2 610	-	100%
Total assets	21 099 150	21 521 051	(2%)
Equity and liabilities			
Liabilities			
Deposits from banks	1 061 301	793 730	34%
Due to related companies	338 037	317 530	6%
Customer deposits	15 526 407	16 399 553	(5%)
Derivative financial instruments	72 938	43 151	69%
Other payables	421 109	409 509	3%
Provisions	26 326	32 128	(18%)
Current tax payable	-	21 523	(100%)
Debt securities in issue	417 974	341 078	23%
Subordinated debt	605 419	593 443	2%
Total liabilities	18 469 511	18 951 645	(3%)
Shareholders' equity			
Stated capital	17 108	17 108	0%
General risk reserves	133 842	133 842	0%
Fair value reserves	(30 828)	(22 306)	38%
Share-based payment reserve	5 821	3 629	60%
Share capital reserve	2 060	2 060	0%
Retained income	2 501 636	2 435 073	3%
Total equity attributable to equity holders	2 629 639	2 569 406	2%
Total equity and liabilities	21 099 150	21 521 051	(2%)

Condensed consolidated statement of changes in equity

As at 30 June 2022

	Stated capital P'000	General risk reserve P'000	Fair value reserves P'000	Share-based payment reserve P'000	Retained earnings P'000	Share capital reserve P'000	Total equity attributable to shareholders P'000
Balance at 1 January 2021	17 108	118 347	(9 753)	1 120	2 206 509	2 060	2 335 391
Profit for the period	-	-	-	-	212 933	-	212 933
Other comprehensive income for the period	-	-	(10 412)	-	-	-	(10 412)
Total comprehensive income for the period	-	-	(10 412)	-	212 933	-	202 521
Payment of dividends	-	-	-	-	(175 533)	-	(175 533)
Recognition of share-based payments	-	-	-	511	-	-	511
Transfer from retained earnings	-	8 516	-	-	(8 516)	-	-
Total transactions with owners	-	8 516	-	511	(184 049)	-	(175 022)
Balance at 30 June 2021	17 108	126 863	(20 165)	1 631	2 235 393	2 060	2 362 890
Balance at 1 July 2021	17 108	126 863	(20 165)	1 631	2 235 393	2 060	2 362 890
Profit for the period	-	-	-	-	289 659	-	289 659
Other comprehensive income for the period	-	-	(2 141)	-	-	-	(2 141)
Total comprehensive income for the period	-	-	(2 141)	-	289 659	-	287 518
Payment of dividends	-	-	-	-	(83 000)	-	(83 000)
Recognition of share-based payments	-	-	-	1 998	-	-	1 998
Transfers from/(to) retained earnings	-	6 979	-	-	(6 979)	-	-
Total transactions with owners	-	6 979	-	1 998	(89 979)	-	(81 002)
Balance at 31 December 2021	17 108	133 842	(22 306)	3 629	2 435 073	2 060	2 569 406
Balance at 1 January 2022	17 108	133 842	(22 306)	3 629	2 435 073	2 060	2 569 406
Profit for the period	-	-	-	-	302 563	-	302 563
Other comprehensive income for the period	-	-	(8 522)	-	-	-	(8 522)
Total comprehensive income for the period	-	-	(8 522)	-	302 563	-	294 041
Payment of dividends	-	-	-	-	(236 000)	-	(236 000)
Recognition of share-based payments	-	-	-	2 192	-	-	2 192
Total transactions with owners	-	-	-	2 192	(236 000)	-	(233 808)
Balance at 30 June 2022	17 108	133 842	(30 828)	5 821	2 501 636	2 060	2 629 639



Absa Bank Botswana Limited

Condensed consolidated interim financial statements For the period ended 30 June 2022

higher diamond output, mining GDP improved 29.9% in 2021 after a 26.5% fall in the prior year. Activity in the diamond traders sector surged 78% in 2021 against a 36.7% slump in 2020. Other sectors that recovered strongly included manufacturing, construction, wholesale and retail trade, transport, real estate and health. The accommodation, food and agriculture sectors contracted further, with adverse weather conditions continuing to hamper agriculture sector output. We expect the growth momentum seen in 2021 to lose some steam as base effects fade and renewed global headwinds weigh on growth. We project growth of 5.5% this year, which reflects the strong base effects from 2021, but also the impact of higher domestic inflation and tighter monetary policy on domestic consumption. Economic growth will be supported by a continued strong mining sector even as diamond demand from key markets is expected to ease amid a more challenging global backdrop.

Inflation and monetary policy

Headline inflation remains high reaching 14.3% in July and averaging 10.9% in the first six months of 2022. The larger jump in local inflation is due to a much higher weight for fuel in the consumer price index basket. Upside risks to inflation remain elevated as supply related shocks to food and energy prices from the war in Ukraine could sharply increase headline inflation and pass through to core inflation. There are several upside risks to inflation from the domestic front, including possible annual increase

in administered prices, the second-round effects of the recent increase in administered prices and entrenched expectations for higher inflation. Rising inflation has led to a tight monetary policy stance leading the Central Bank to increase the Monetary policy rate (MoPR) by a total 101 basis points in the first half of 2022. With inflation likely to remain elevated because of pressures, further policy tightening, particularly deeper into the year, cannot be excluded.

Role in society

Absa Bank Botswana Limited ("the Bank") remains diligent and deliberate about the important role that it plays in the communities in which it operates. Having embraced sustainability as our core mandate, we continue to execute programs that fulfil our ambitions to be an active force for good in Botswana. Our interventions are focused on delivering on four thematic areas which are Inclusive Financing, Education and skills development, Environmental Sustainability and Promoting a Just Society.

In the first half of the year, we implemented programs that touched on all four areas with significant progress made under the inclusive financing and education and skills development pillars.

Our inclusive financing goal is to provide opportunities for individuals to have access to the products and services that we provide as a financial institution. Moreover, we continue to provide knowledge and information that will enable our citizens to make informed decisions in managing their hard-earned money and running their businesses. To this end, we have successfully provided financial literacy training to over 4000 individuals across Botswana. This includes soccer players from the 12 teams of the Botswana Football League, pupils in various schools across the country, and adolescents who are participating in the DREAMS program in partnership with Global Communities and Stepping-Stones International.

We recognise the importance of developing the skills of small and medium size businesses in Botswana and are committed to playing our part through training programs and our Women in Business webinars. The latter are meant to provide information and knowledge to aspiring and committed entrepreneurs. We held two webinars during the reporting period. The first webinar which was held in February focused on "Opportunities in Environmental Conservation," with guest speakers from the Ministry of Environment, UNDP and Cleanico, a private company that which provides waste management and cleaning services. The second webinar explored Sustainable Agriculture with Lucerne Fields, and our Head of Agribusiness.

Condensed consolidated statement of cash flows

For the period ended 30 June 2022

	Reviewed half year ended 30 June 2022 P'000	Reviewed half year ended 30 June 2021 P'000	Audited year ended 31 December 2021 P'000
Cash used in operations			
Cash used in operations	(221 096)	(67 194)	(249 304)
Net increase in loans and advances to customers	(694 526)	(954 558)	(1 027 621)
Interest received	705 095	612 049	1 331 084
Interest paid	(181 996)	(144 774)	(316 216)
Income taxes paid net of refunds	(100 498)	(50 848)	(123 820)
(Decrease)/ increase in deposits due to customers	(874 579)	280 672	497 631
Decrease/(increase) in long term loans due from related parties	105 203	(238 722)	(139 593)
Increase in long term deposits due to other banks	267 571	422 625	240 107
Increase in long term loans due to related parties	85 070	89 554	41 500
Decrease in statutory reserve with the Central Bank	150 000	111 986	60 986
(Increase)/decrease in derivative financial instruments	(13 231)	13 131	(25 209)
Net cash (used in)/generated from operating activities	(772 987)	73 921	289 545
Cash flows from investing activities			
Purchase for property, plant and equipment	(9 254)	(13 532)	(23 295)
Proceeds from disposal of property, plant and equipment	-	45	298
Purchase of trading portfolio assets	(315 500)	(100 458)	(463 465)
Proceeds from disposal of trading portfolio assets	315 000	143 364	591 870
Decrease in long term financial instruments held at FVOCI	(467 437)	(666 299)	(197 567)
Net cash used in investing activities	(477 191)	(636 880)	(92 159)
Cash flows from financing activities			
Dividends paid to shareholders	(236 000)	(175 533)	(258 533)
Issuance of debt securities	119 200	82 500	167 087
Redemption of debt securities	(43 000)	(62 500)	(220 201)
Payment of lease liabilities	(16 484)	(13 746)	(32 583)
Net cash used in financing activities	(176 284)	(169 279)	(344 230)
Decrease in Cash and Cash equivalents	(1 426 462)	(732 238)	(146 844)
Net foreign exchange movement	1 943	-	-
Net decrease in cash and cash equivalents	(1 424 519)	(732 238)	(146 844)
Cash and cash equivalents at the beginning of the period/year	4 445 272	4 592 116	4 592 116
Cash and cash equivalents at the end of the period/year	3 020 753	3 859 878	4 445 272

“ Pre-provision profit has also grown year-on-year by 21% leading to annualised Return on Equity (ROE) growing to 24% as at 30 June. ”

Notes to the condensed consolidated financial statements

For the period ended 30 June 2022

Accounting policies

1. Reporting entity and basis of accounting

Absa Bank of 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 2022 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 is an insurance agent which earns fees from referral of life and non-life insurance products. Absa Securities Botswana Proprietary Limited is a securities business that provides mergers and acquisition and other investment banking advisory services.

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 annual consolidated financial statements for the year ended 31 December 2021 ("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 same accounting policies and methods of computation are followed in the interim financial statements compared with the most recent annual financial statements for the year ended 31 December 2021 except for the impact of standards and amendments to standards (refer note 20) which were applicable for the first time in 2022.

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 Bank's Board of Directors on 1 September 2022.

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 2021.

3. Profit before tax

Strong profitability realised in the year which has been greatly influenced by improved transactional volumes due to the economic recovery.

4. Contingent liabilities and commitments

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

	Reviewed as at 30 June 2022 P'000	Reviewed as at 30 June 2021 P'000	Audited as at 31 Dec 2021 P'000
Undrawn commitments to customers	1 740 200	2 042 109	2 644 870
Letters of credit	24 847	80 869	19 489
Guarantees	326 369	321 408	310 786
Gross contingent liabilities	2 091 416	2 444 386	2 975 145
Expected credit losses	(5 557)	(9 334)	(7 258)
	2 085 859	2 435 052	2 967 887

5. Capital commitments

At 30 June 2022 the commitments for capital expenditure authorised and contracted for amounted to P5 323 000 (31 December 2021: P27 374 000) (30 June 2021: P27 000 000), and the commitments for capital expenditure authorised but not under contracted for amounted to nil (31 December 2021: nil) (30 June 2021: nil).

6. Related party transactions

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

7. Independent auditors report

Our independent auditors Ernst & Young have 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 and the interim financial statements on which they issued their report are 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 total dividend amounting to P103 million was declared on 1 September 2022 subject to regulatory approval.

There were no other material changes in the affairs of the Group between the 30 June 2022 period and the date of the approval of these condensed consolidated interim financial statements.

Our education and skills development pillar is focused mainly on the youth who remain at the centre of all our strategic pillars. We endeavour to develop relevant and exciting programs that bring together innovation, creativity and skills to respond to challenges within our society. Through our Hackathon and Incubation program, we aim to solution for challenges that are faced by SME's in Botswana by working with talented youth. Our second Hackathon and Incubation program, with a focus on agriculture, was launched in February 2022. A panel of judges have successfully shortlisted three teams who are currently participating in the incubation component of the program.

Our F.G. Mogae Scholarship Fund continues to contribute to the development of young people and skills development for the nation. In 2021, we focused on studies in the Science, Technology, Engineering and Mathematics (STEM) field, and have five students enrolled currently with two at the University of Botswana and three at the Botswana International University of Science and Technology.

Our Youth Hub, program which was launched in 2021 in partnership with a youth owned social enterprise, namely IBranch Recruiters, provided career development and skills development training to 2200 young people through our ReadytoWork program in the first half of the year. Moreover, a number of youth were placed in employment or internship opportunities. Under the same program and as part of our efforts to support continuous education, we also supported a weekly radio program that disseminated information on career development. Finally, Career Weeks were held at various institutions across the country as an additional method to reach as many young people who are preparing for the world of work.

As part of our Shakawe branch launch and to support the academic needs of pupils in the area, we donated laptops and personal protective equipment (PPE) to Shakawe Senior Secondary School.

Our employees continue to participate in meaningful programs that seek to make an impact on the lives of people in the communities in which we live and operate. They have actively driven our financial literacy programs, responded to urgent requests for basic needs by contributing towards a blanket drive in winter and worked to conserve our environment by planting trees and participating in clean up campaigns.

Sponsorships

The Bank is proud to have sponsored the Botswana Football League 2021/2022 season which ended in June 2022 with an amount of P3.4 million.

Financial performance

The year 2022 started with positive trading sentiments with the majority of economies posting encouraging recovery trends from the effects of COVID-19. The on-set of Russia-Ukraine war has posed significant challenges to the operating environment, especially to the global supply chain. Some economies have been hauled into recession as a result of commodity pricing surge brought about by the sanctions and other actions taken against Russia which resulted in unrepresented macroeconomic swings posing difficult trading operations for businesses.

Our local and regional economies have been left grappling with surging inflation, rising cost of borrowing and dampened economic growth. We acknowledged varying efforts by the Monetary Policy Committee to control the surge in inflation, and the introduction of other reforms to manage the same while still ensuring that there is still enough focus on COVID-19 to deal with potential future out breaks.

Despite the challenges in the economy and extended pressure on households/consumers, our business continues to demonstrate operational resilience and the financial results for the first half of the year are a true testament of our business resilience and sound strategy.

Profitability

Our profit before tax grew by 36% year on year, signaling a positive recovery from the June 2021 position. This performance was achieved by positive trajectory on all material lines of statement of comprehensive income with total revenue improving 11% year on year, which is also consistent with recovery in business momentum. Pre-provision profit has also grown year-on-year by 21% leading to annualised Return on Equity (ROE) growing to 24% as at 30 June.

This performance was mainly driven by positive performance of the net interest income and non-funded income lines. Net interest income realised strong performance showing an 8% improvement year on year as a result of positive balance sheet momentum realised on the RBB and CIB sectors, despite the interest expense increasing by 30% from prior period.



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Non funded income was mostly driven by increased transactional volumes due to the opening up of the economy, as COVID-19 restrictive measures were relaxed especially in the entertainment and tourism industries. The net fee and commission income line realised pleasing growth rates, thereby growing our fee and commission income by 23% in the period. The net trading and investment income franchise showed strong growth of 42% year on year.

Expected Credit losses saw an improvement year on year decreasing materially by 72% due to improved and stable portfolio performance, positive movement on macroeconomic inputs. We also noted a strong performance in our recoveries portfolio which contributed to the overall positive performance of expected credit losses. This led to the loan loss ratio improving to 0.16% from 0.59% for period ended 30 June 2022.

Operating costs remain relatively under control at P473 million, growing slightly by only 3%, despite the rising inflation seen in the economy. This was achieved by leveraging off the digital enablement put in place which brought some efficiencies, as well as various other cost management initiatives effected. Our cost to income ratio declined 4% and ended at 54% for the period under review, resulting in positive income statement jaws of 7%.

Statement of financial position

Our balance sheet remained stable at P21.1 billion, maintaining structural composition year on year, with customer assets and customer liabilities being the principal drivers of balance sheet performance.

Customer loans and advances realised strong growth with a 5% year on year increase to P15.6 billion. We have seen increased momentum in our loan conversion rates especially in RBB segment where growth was driven by scheme loans.

Due to the challenging economic conditions, we have seen tightening market liquidity as entities are faced with higher costs of doing business, and customers remain under pressure with ever increasing cost of living which has led to a dip of 4% in our customer deposits. Our client penetration, acquisition and retention strategy continues to be pivotal to our overall business strategy. We continue to find new and innovative ways of supporting our customers during these tough economic conditions through our thought leadership sessions aimed at improving the ease of doing business, encouraging a culture of saving and development of capital markets in Botswana.

Capital and liquidity management

With our solid balance sheet position and improving profitability we have strengthened further our capital position which stands at P2.6 billion and representing a capital adequacy ratio of 20% against a regulatory requirement of 12.5%. Liquid assets ratio stood at 15.3% well above a regulatory limit of 10%.

Corporate and Investment Banking (CIB)

The first half of 2022 started off with a revised business strategy which was mainly focused on ensuring the Business is well oiled to support a resurging economy. We aligned our strategy such that we would be able to support all sectors that were now picking up post COVID-19 induced challenges.

Key infrastructure projects in both government and private sector also provided us with an opportunity to be a strategic partner as we helped our clients achieve their ambitions. A firm focus on digitization saw great investments being made (and continuing to be made) within our solutions offerings. This is a key business deliverable as we harness learnings from the pandemic and ensure the new ways of doing business are enhanced by technology. To ensure that we are and remain a Corporate bank of the future, we increased and deepened our client relationships, targeted acquisitions as well as introduced new client value propositions. We held a first for the market when we successfully hosted a client event which focused on the Non-Bank Financial Institutions (NBF), particularly the Insurance sector where we had various thought leaders engage on lessons learnt from the pandemic, and how to be future fit for the client of today.

The corporate business closed the first half of 2022 with its profitability ahead of prior period by 44% on the back of improved impairment and asset performance in the period. Fee income realised positive growth contributing to a year on year increase of 16% on total income.

Impairment closed on a favorable position year to date, improving significantly from the prior period position. Cost containment strategies remain intact with the cost line realising only muted growth on a year to date basis.

Due to the subdued economic environment, customer assets continue to stagnate as clients continue with a cautious outlook post the pandemic, however despite this, overall assets are showing a year on year growth of 5% as at end June, with deposits however, remaining squeezed due to tightening market liquidity. The business remains poised to maintain the right deposit mix, with fee income still remaining a key focus area. We look to the second half of 2022 with great vigor and focus as we continue on our journey to deliver on the business strategy.

During the year CIB launched a number of key products like unsecured bid bonds and corporate billers, which was part of ongoing digitization journey, and evolution of services by enhancing the suite of offering within this space. This mainly stems from the continuous feedback we receive from our clients as they partake in end user experience. We also hosted an insurance led thought leadership engagement under the theme "reshaping the Insurance sector through accelerated digitalization, lessons learnt post COVID-19".

The Global Markets business delivered a 56% revenue growth rate due to strong performance from both the sales and trading businesses. The sales performance was driven by a significant uplift in foreign exchange sales volumes, as most clients reverted to their pre COVID-19 operational levels, whilst the trading business benefited from prudent risk management in a volatile and headline driven trading environment. Our priority for the remainder of the year remains to provide our clients with relevant and tailored risk management solutions to help them manage their foreign exchange, Interest rate and Commodity risks more effectively.

Retail and Business Banking (RBB)

The socio-economic headwinds that characterized the first half of 2022 meant that continuing to innovate and provide relevant solutions for our clients became an imperative cornerstone for the retail bank to remain resilient, as we continue on our journey to be the primary partner for our clients. We intend to be an active force for good focused on partnering with clients as we diversify our revenue streams and offer a seamless digital experience. We have displayed revenue growth of 7% with interest income and non-interest income registering a 6% and 7% growth respectively. Loans and advances grew by 5% whilst customer deposits decreased by 1% due to inflationary pressures faced by our clients. We continued our journey of growth and putting our customer needs at the centre of what we do. At the back of this, we launched the following propositions and product enhancements: Multi residential property financing for retail customers, making property investment easier for our customers. We also took our youth banking proposition to the market in partnership with iBranch Youth Hub and engaged the youth through - multiple university activations. We increased our visibility and interactions with our customers through multiple customer engagements and focus groups. Through these we have seen a 4% YOY growth in customer numbers. This is a true reflection of Africanity - Helping our customers get things done. The availability of self-service and alternative banking channels has led to a 9% YOY growth in the number of customers utilising our digital platforms. We continue to enhance these channels to create seamless customer experience. These enhancements include QR Code Cash withdrawal on our ATMs and the addition of billers to our ecosystem to ease payments for customers on our digital channels.

We have also partnered with Botswana Telecommunications and Orange Botswana to allow our customers free access to the Absa Bank App. We have rolled out six digital suites within our branches to educate and assist customers to utilize our digital channels. We continued to drive penetration of Spark By Absa and Agency Banking serving over 30,000 clients with a network of several agents.

Looking ahead our focus will be on creating new customer relationships and deepening existing ones. We aim towards driving financial inclusion by creating financial linkages between the unbanked and the banked communities through the Spark By Absa digital wallet ecosystem. We believe that digitalization is a key cornerstone for banking going forward and therefore have a clear focus on growing our self-service capability. Our colleagues remain integral to the service that we offer clients and how we embody Africanity 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 primary partner for our clients.

Business banking has continued to be one of the key strategic Business segments within the Bank. In the period to date, the segment has grown revenue by 10.2%, assets have also grown by 12.3% and the overall profitability grew by over 100% in the last six months compared to the same period last year. Our business strategy is largely aligned with government agenda of driving Citizen Economic Empowerment and the government efforts to support the locals businesses through the enactment of Economic Inclusion Act, and restriction of the importation of some horticultural products. Therefore, our business strategy is aligned to that hence our chosen sectors of Corporate and Investment Value Chain through the Enterprise Supply Chain Development Program (ESD), Agri Business, Commercial Asset Finance (CAF), SME segment. The business has trained 568 customers in the last six months and this training interventions were delivered in partnership with independent Business Service providers like Muscle Wood. We also signed some Memorandum of Understanding with Botswana Textile and Clothing Association (BTCA) to enable Small and Medium Enterprises (SMEs) to access their supplier value chain. Business Banking will continue to drive its momentum to assist SMEs to access funding and capacitate them to manage their businesses. As a strategy to drive digital channel utilizations, new customers were onboarded on the Absa internet banking platform, and installation of two cash depositors at the main mall and airport junction branches to enable our customers to deposit funds at their convenience. We will also drive the usage of digital channels improve the ease of doing business and supporting our client base to grow and contribute positively to the economy. Our focus will remain in building the relationships with our customers with a view to improve on our customers value proposition based on the feedback that we receive - this will ensure we remain relevant to the customers and respond to their needs accordingly. The SME business centre was launched in June 2022 in an effort to provide a dedicated centre where the SME segment can be served and this brings to a total of two Business banking centres.

Outlook

The local economy is recovering to its pre COVID-19 level and we expect the trend to continue in the second half of the year. Despite the unpredictable operating environment, our solid balance sheet, evidenced by our capital ratios that are well above the regulatory requirements, positions us to absorb future shocks and grow the business sustainably. We remain steadfast in executing our refreshed strategy, being an active force for good in everything that we do. We will continue to enhance to our digital platforms and develop new solutions that offer our customers convenience as well as forge rewarding partnerships that provide value to customers during this increasingly challenging economic climate. Our people remain the heartbeat that drives our organization and we remain committed to creating a conducive working environment and employee value propositions. Possibilities of new waves of infections and variants of the COVID-19 virus remain despite countries around the world living with the virus under reduced safety mandates. However, we remain resolute in executing our strategy and focus on growing the business sustainably.

Dividend

On 1 September 2022, the Absa Bank Botswana Limited Board approved an interim dividend of 12.09 thebe per share, amounting to a total dividend of P103 million. Subject to regulatory approval, the dividend will be payable on 12th October 2022 to those shareholders registered at the close of business on 3 October 2022, with an ex-dividend date of 28 September 2022. 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 the Bank.

Daniel Neo Moroka
Board Chairman

Keabetswe Pheko-Moshagane
Managing Director

Segment reporting

For the period ended 30 June 2022

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 (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. Absa Securities Botswana (Pty) is included in this segment.

Retail and Business Banking (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.

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.

Segment performance

For the period ended 30 June 2022

Statement of comprehensive income	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Other P'000	Consolidated P'000
Net interest income	419 992	129 339	-	549 331
Net fee and commission income	208 756	20 164	-	228 920
Net trading and other income	16 252	86 609	-	102 861
Total income	645 000	236 112	-	881 112
Expected credit losses	(38 666)	25 800	-	(12 866)
Net operating income	606 334	261 912	-	868 246
Operating expenses	(335 041)	(103 207)	-	(438 248)
Depreciation of PPE and right of use asset	(34 337)	(337)	-	(34 674)
Amortisation of intangible assets	(574)	-	-	(574)
Total expenses	(369 952)	(103 544)	-	(473 496)
Profit before income tax	236 382	158 368	-	394 750
Taxation	(57 857)	(34 330)	-	(92 187)
Profit for the year	178 525	124 038	-	302 563

Statement of financial position

Statement of financial position	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Other P'000	Consolidated P'000
Assets				
Derivative financial instruments	-	74 595	-	74 595
Financial assets held at fair value through OCI	1 906 193	-	-	1 906 193
Loans and advances to customers	11 210 358	4 401 494	-	15 611 852
Trading portfolio assets	-	83 832	-	83 832
Other assets	-	-	3 422 678	3 422 678
Total	13 116 551	4 559 921	3 422 678	21 099 150
Liabilities				
Customer deposits	10 229 719	5 296 688	-	15 526 407
Derivative financial instruments	-	72 938	-	72 938
Debt securities in issue	417 974	-	-	417 974
Subordinated debt	605 419	-	-	605 419
Other liabilities	-	-	1 846 773	1 846 773
Total	11 253 112	5 369 626	1 846 773	18 469 511

Segment performance

For the period ended 30 June 2021

Statement of comprehensive income	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Other P'000	Consolidated P'000
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
Total income	593 690	203 432	(1 664)	795 458
Expected credit losses	(48 634)	3 012	-	(45 622)
Net operating income	545,056	206 444	(1 664)	749 836
Operating expenses	(313 985)	(95 743)	(13 322)	(423 050)
Depreciation of PPE and right of use asset	(37 545)	(419)	-	(37 964)
Amortisation of intangible assets	(497)	-	-	(497)
Total expenses	(349 977)	(96 162)	(13 322)	(459 461)
Profit before income tax	195 079	110 282	(14 986)	290,375
Taxation	(56 477)	(24 262)	3 297	(77 442)
Profit for the period	138,602	86 020	(11 689)	212,933

Statement of financial position

Statement of financial position	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Other P'000	Consolidated P'000
Assets				
Trading portfolio assets	-	11 434	-	11,434
Financial assets held at fair value through OCI	2 576 009	-	-	2 576 009
Derivative financial instruments	10 650 895	4 180 433	-	14 831 328
Loans and advances to customers	-	167 654	-	167 654
Other assets	-	-	3 870 603	3 870 603
Total assets	13 226 904	4 359 521	3 870 603	21 457 028
Liabilities				
Customer 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
Total liabilities	10 757 789	6 428 782	1 907 567	19 094 138