



Absa Bank Botswana Limited

Condensed consolidated interim financial statements
For the period ended 30 June 2023

Net fee and commission income

6%

Profit before tax

13%

Pre-provision profit before tax

21%

Total income

17%

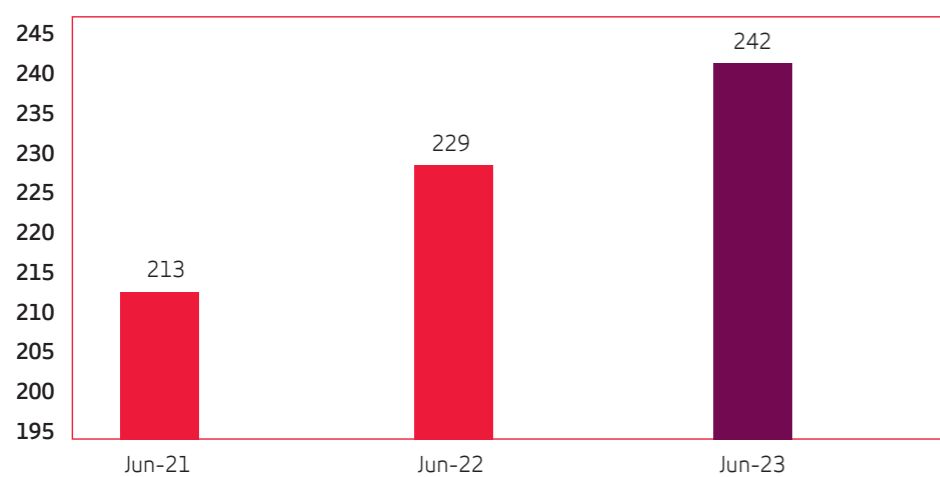
Net loans and advances

5%

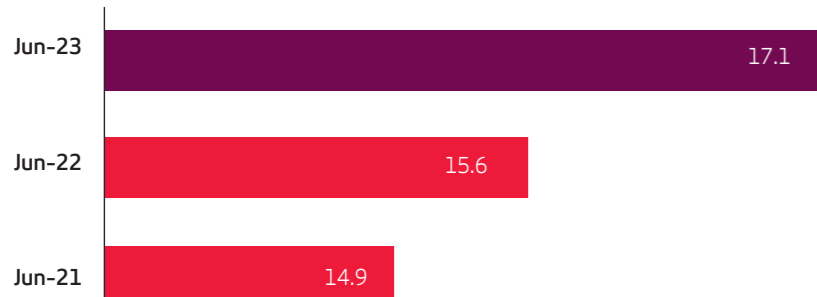
Customer deposit

3%

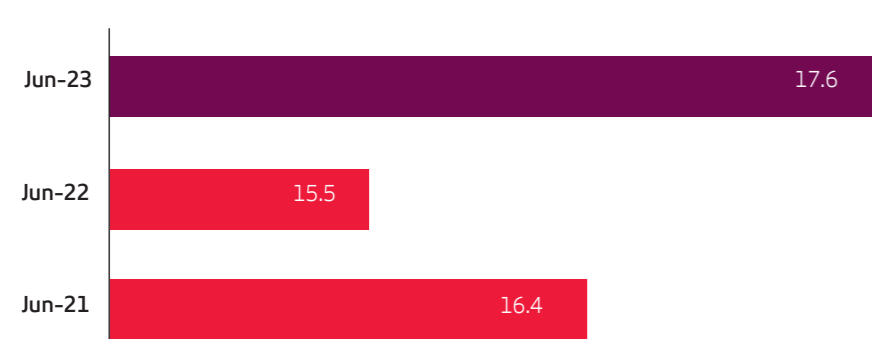
Net fee and commission income (P'million)



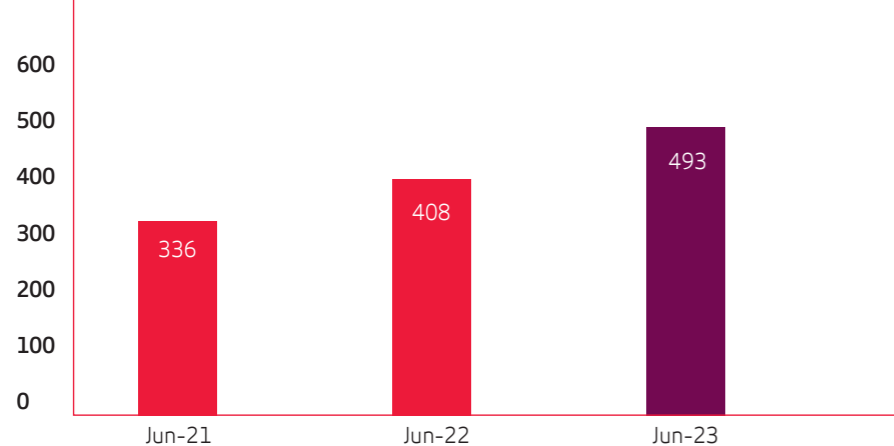
Loans and advances to customers (P'billion)



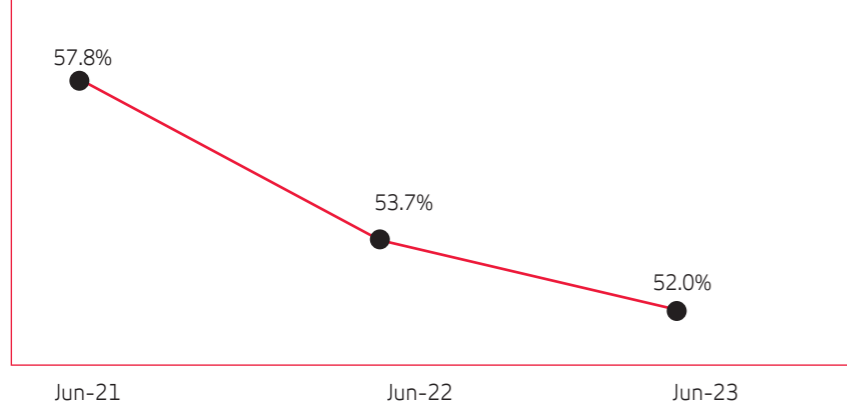
Deposits due to customers (P'billion)



Pre Provision Profit (P'million)



Cost to Income Ratio (%)



Operating environment

Global and Sub-Saharan Africa outlook

The International Monetary Fund (IMF) projects that global growth will fall from an estimated 3.5% in 2022 to 3% in 2023 and 2024. The aggressive tightening in monetary conditions to fight inflation continues to weigh on economic activity. However, a combination of factors including tight labor markets, savings from the pandemic lockdowns and fiscal stimulus have moderated the impact of sharp tightening in monetary conditions on economic growth. Lower energy prices are helping to bring down headline inflation and ease strain on household budgets. Furthermore, the earlier than expected reopening of China has provided a boost to global activity. However, significant uncertainty about economic prospects remains, and risks to the projections are on the downside.

Sub-Saharan Africa economies remain under pressure but are working towards macroeconomic stability and onto a more sustainable growth path. According to IMF forecasts, growth is projected to decline to 3.5% in 2023 before picking up to 4.1% in 2024. Many of the region's key economies are under IMF programmes and have embarked on much needed reforms to address macroeconomic imbalances by implementing fiscal consolidation, strengthening governance, and moving towards more inclusive growth. Global geopolitical concerns, along with regional insecurity, climate shocks, elevated living costs, persistently tight global financial conditions, fiscal constraints, a stronger United States dollar and softer commodity prices continue to weigh on the region's growth outlook.

Local economic outlook

Botswana's economy has continued to expand at a solid pace, recording above trend growth of 5.8% in 2022. Recovery from the pandemic primarily reflects elevated mining production, as well as robust manufacturing and construction. Looking forward, we expect the Government's plans to step up infrastructure investment, together with accommodative monetary conditions and reforms to further improve the business environment to provide support to the economy. The new deal between Botswana and De Beers Group will also support the outlook going forward. Notwithstanding, downside risks remain considerable, particularly adverse weather conditions and the global backdrop that threatens the mining sector and likely to depress other exports. Overall, we believe that economic growth of 4.1% is achievable this year, considering the strong first quarter performance and a lower inflation environment.

Inflation and monetary policy

Headline inflation averaged 7.8% in the first half of 2023 and has decelerated sharply reaching 4.6% in June. We expect inflation to average 4.9% in 2023 significantly lower than the 12.2% in 2022. The decline in inflation is due to base effects from the high inflation recorded in 2022 and the decline in fuel prices this year. Looking ahead, upside risks to inflation include higher than anticipated global commodity prices and supply constraints. However, weaker domestic and global activity, possible disinflationary effects of tighter monetary policy globally, stronger than anticipated Pula appreciation and restrained global commodity prices could keep inflation subdued. Given the upbeat outlook on inflation over the medium term, we expect the policy rate to remain unchanged in 2023.

Condensed Consolidated Statement of Comprehensive Income

For the period ended 30 June 2023

	Half year ended 30 June 2023 P'000	Half year ended 30 June 2022 P'000	% Change
Effective interest income	970 333	742 068	31%
Effective interest expense	(292 607)	(192 737)	52%
Net interest income	677 726	549 331	23%
Fee and commission income	303 737	282 393	8%
Fee and commission expense	(61 872)	(53 473)	16%
Net fee and commission income	241 865	228 920	6%
Net trading and investing income	102 248	100 810	1%
Other income	5 568	2 051	171%
Total income	1 027 407	881 112	17%
Expected credit losses/ Impairment losses	(45 791)	(12 866)	256%
Net operation income	981 616	868 246	13%
Staff costs	(270 914)	(232 199)	17%
Infrastructure costs	(91 577)	(77 379)	18%
Administration and general expenses	(171 599)	(163 918)	5%
Operating expenses	(534 090)	(473 496)	13%
Profit before tax	447 526	394 750	13%
Taxation	(97 351)	(92 187)	6%
Profit for the period	350 175	302 563	16%
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 arising during the reporting period	665	(10 926)	106%
Deferred tax	(146)	2 404	106%
	519	(8 522)	106%
Total other comprehensive income for the year, net of tax	519	(8 522)	106%
Total comprehensive income for the year, net of tax	350 694	294 041	-19%
Earnings per share			
Basic and diluted (thebe per share)	41.09	35.51	16%

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

	Half year ended 30 June 2023 P'000	Year ended 31 December 2022 P'000	% Change
Assets			
Cash	504 443	668 813	-25%
Balances at the Central Bank	585 711	70 604	730%
Trading portfolio assets	79 482	80 792	-2%
Derivative financial instruments	275 241	129 992	112%
Financial assets at fair value through OCI	2 515 663	2 491 369	1%
Loans and advances to banks	1 078 300	1 519 259	-29%
Due from related companies	538 505	896 035	-40%
Loans and advances to customers	17 108 562	16 347 768	5%
Other receivables	205 162	204 333	0%
Property, plant and equipment	183 180	209 497	-13%
Intangible assets	808	1 161	-30%
Deferred tax assets	97 479	101 033	-4%
Taxation refundable	9 338	13 873	-33%
Total assets	23 181 874	22 734 529	2%
Equity and liabilities			
Liabilities			
Deposits from banks	754 950	902 902	-16%
Due to related companies	99 895	197 642	-49%
Customer deposits	17 569 270	17 004 832	3%
Derivative financial instruments	275 716	115 113	140%
Other payables	403 621	389 592	4%
Provisions	19 209	23 929	-20%
Debt securities in issue	521 313	585 827	-11%
Subordinated debt	627 996	612 976	2%
Total liabilities	20 271 970	19 832 813	2%
Shareholders' equity			
Stated capital	17 108	17 108	0%
General risk reserves	126 863	126 863	0%
Fair value reserves	(27 293)	(26 774)	2%
Share-based payment reserve	7 858	7 327	7%
Share capital reserve	2 060	2 060	0%
Retained income	2 783 308	2 775 132	0%
Total equity attributable to equity holders	2 909 904	2 901 716	0%
Total equity and liabilities	23 181 874	22 734 529	2%

Financial performance

The year 2023 started with positive trading tones with local economy posting easing inflation numbers which reflected an improvement from last year. The challenges to the supply chain posed by the onset of Russia-Ukraine has also improved and the ease of doing business was impacted positively relative to the prior year. Although the performance of the macro economic variables has improved some economies are still grappling with higher inflation rates and consumers are still under pressure.

Despite these challenges, our business continues to demonstrate stability and operational resilience as evidenced by the financial performance for the first half of 2023.

Profitability

Absa Bank Botswana has achieved growth in profit before tax of 13% during the 6-months period under review. This was due to a maintained positive momentum of material lines of our statement of comprehensive income. On aggregate, our total revenue grew by 17% on the comparative period, primarily out of the momentum in our net interest income together with rebound performance of our non-interest income lines. Although cost of funding remained elevated during the period under review, net interest income still grew double digits due to improved performance of our customer loans and trading portfolio assets.

Our strategic intent to drive fee income has paid off as noted on our net fee and commission income line growing by 6%. This growth was propelled by digital drive and adoption coupled with a significant uplift in transactional volumes across all client segments for the period under review.

For the 6 months period under review operating costs remained under control and expected credit losses continued to post good performance on account of quality of asset and effective credit loss mitigation strategies.

Statement of financial position

Our balance sheet remains solid and on an upward trajectory. With a total financial position in excess of P23 billion we have grown by 2% and have maintained the structural composition intact year on year with adequate capital levels to support future growth.

Customer loans and advances grew by 5% year on year driven by growth opportunities in our Retail and Business Banking (RBB) and Corporate and Investment Banking (CIB) segments. The P564 million increase in deposit was because of our active client acquisition and penetration strategies which enabled us to bank the needs of our customers and grow our deposit base.

Capital and liquidity management

We closed the year with strong capital and liquidity levels. Our regulatory capital position stood at P3.6 billion representing a ratio of 22% post dividend, against the current regulatory limit of 12.5%. The liquid asset ratio at 15.3% was well above the regulatory minimum of 10%.

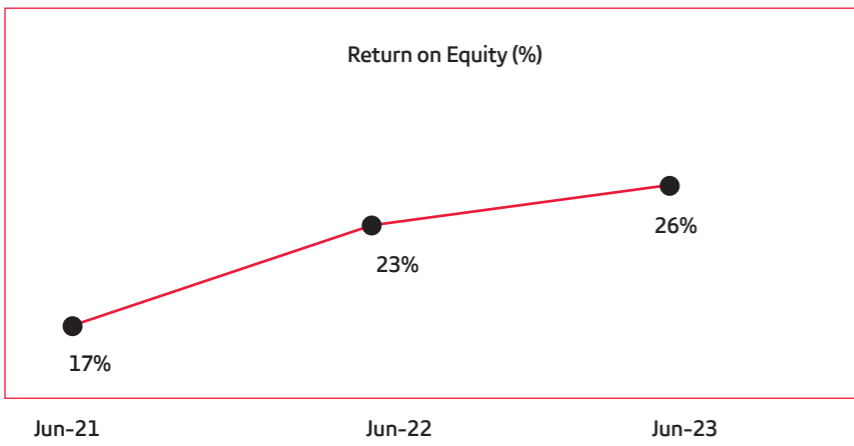
Corporate and Investment Banking (CIB)

Corporate and Investment Banking has remained resolute in driving new revenue streams, enhancing its value proposition to clients, and supporting emerging industries. This refined strategic focus has accelerated Corporate Banking to deliver profit before tax of 25% year



Absa Bank Botswana Limited

Condensed consolidated interim financial statements For the period ended 30 June 2023



Condensed Consolidated Statement Of Changes In Equity

For the period ended 30 June 2023

	Stated capital P'000	General risk reserve P'000	FVOCI investment revaluation reserve P'000	Share-based payment reserve P'000	Retained earnings P'000	Share capital reserve P'000	Total equity attributable to shareholders P'000
Balance at 1 January 2022	17 108	133 842	(22 306)	3 629	2 435 073	2 060	2 569 046
Profit for the period	-	-	-	-	302 563	-	302 563
Other comprehensive loss for the period	-	-	(8 522)	-	-	-	(8 522)
Total comprehensive income for the period	-	-	(8 522)	-	302 563	-	294 041
Dividends paid	-	-	-	-	(236 000)	-	(236 000)
Recognition of share based payments	-	-	-	2 192	-	-	2 192
Transfers from/(to) retained earnings	-	-	-	-	-	-	-
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
Balance at 1 July 2022	17 108	133 842	(30 828)	5 821	2 501 636	2 060	2 629 639
Profit for the period	-	-	-	-	369 517	-	369 517
Other comprehensive income for the period	-	-	4 054	-	-	-	4 054
Total comprehensive income for the period	-	-	4 054	-	369 517	-	373 571
Payment of dividends	-	-	-	-	(103 000)	-	(103 000)
Recognition of share-based payments	-	-	-	1 506	-	-	1 506
Transfers from retained earnings	-	(6 979)	-	-	6 979	-	-
Total transactions with owners	-	(6 979)	-	1 506	(96 021)	-	(101 494)
Balance at 31 December 2022	17 108	126 863	(26 774)	7 327	2 775 132	2 060	2 901 716
Balance at 1 January 2023	17 108	126 863	(26 774)	7 327	2 775 132	2 060	2 901 716
Profit for the period	-	-	-	-	350 176	-	350 176
Other comprehensive income	-	-	(519)	-	-	-	(519)
Total comprehensive income	-	-	(519)	-	350 176	-	349 657
Payment of dividends	-	-	-	-	(342 000)	-	(342 000)
Recognition of share based payments	-	-	-	531	-	-	531
Transfers from/(to) retained earnings	-	-	-	-	-	-	-
Total transactions with owners	-	-	-	531	(342 000)	-	(341 469)
Balance at 30 June 2023	17 108	126 863	(27 293)	7 858	2 783 308	2 060	2 909 904

on year growth in the first half of the year. Emerging commodities in the mining sector have become increasingly important not only to diversify income streams but to foster socio-economic development. Absa continues to support diamond beneficiation through diversified solutions of funding locally and is positioned to extend these services within the mining sector. Covid 19 presented healthcare as an emerging sector and our bespoke funding solutions to new entrants are translating to sustainable corporates beyond a tactical response to the pandemic. Noting this growth, we envision extending similar support to other players and service providers within the entire healthcare value chain. During the period under review, we closed a structured deposit with an institutional client as part of our risk management products (RMP) efforts to diversify our revenue base and offer bespoke solutions to clients.

Our participation in the energy and infrastructure sector saw a significant growth in our loan book through the provision of lending facilities to key clients within the sector. We further continued to participate in the financing of the sector's ecosystem through funding its value chain, demonstrating our strategy of supporting national initiatives of ensuring energy self-sufficiency.

In our response to diversity and inclusion, we have successfully introduced Islamic Banking which is translating to deposit growth and our focus on digitisation remains firm. Our product suite has grown to include the Corporate Deposits and Branch Deposits that provide secure collection and processing of cash. As we move into the second half of 2023, our emphasis is to continue investing in delivering more market leading capabilities through our digital channels for enhanced experience, guided by our good understanding of clients' needs.

Retail Banking

Our results clearly demonstrates that our strategic focus on being a primary partner for our clients remains critical. This has enabled the retail bank to remain resilient as it continues to deliver relevant and innovative solutions.

The performance of the retail bank was encouraging, with revenue continuing to be meaningful to overall bank performance. Overall revenue grew year on year by 8%, with interest income and non-interest income registering a 6% and 11% growth, respectively. Loans and advances grew by 11% whilst customer deposits grew by 4% at the back of strategic initiatives to promote a savings culture despite pressure on household income.

This performance is reflective of the concerted efforts of our people who continue to put the needs of our clients at the centre of what we do. To drive inclusive banking, we launched a market first payments solution – Mobi Tap which allows merchants and Small, Medium and Micro Enterprises (SMMEs) to use their phones in place of traditional Point-of-Sale (POS) devices to process contactless card transactions. We also launched Motshelo loan to provide access to funding for group savers. To strengthen our lending propositions, we enhanced our vehicle asset proposition with a residual financing option for our clients. Workplace banking proposition also came out as an area of success in the first half of the year, as we partnered with two new entities to offer our transactional, savings and lending proposition to over 40,000 of their employees. We are therefore encouraged by the positive response from the market as evidenced by the growth we have seen in customer numbers by 8% year on year.

Digitisation of customer journeys to improve customer experience and ease of access to our solutions remained in focus; at the back of this we launched Digital Customer Onboarding which provides a quick, efficient, and seamless onboarding for our customers. We enhanced our digital channels features to allow customers to manage their credit cards on channels for simple services such as pin reset, credit limit increases and decreases. We also introduced Buy Now Pay Later on channels for customers to convert their single card purchases into monthly instalments. Through these enhancements we have seen an 8% year on year growth in the number of customers utilizing our digital channels.

Looking ahead, our focus will remain on being the primary partner for our clients through continued relentless execution on our customer centered strategy seeking to deliver client led innovative solutions. We will continue our journey of contributing to the growth and development of our communities as with community centered and inclusive offerings on the back of our recently launched Absa Mobi Tap and Spark by Absa digital wallet. We believe that digitalization is a key cornerstone for banking going forward and therefore have a clear intention on growing our self-service capability. As we seek to be part of our clients' journeys as we help them get things done, we will not only evolve ourselves to be more digitally led, but to also listen better and deliver value for our clients through our various solutions, services, and propositions. Our unwavering commitment is to remain our clients' and the community's primary partner of choice.

Business Banking

For the period under review Business Banking has posted positive performance. For the period under review the revenue grew by 28% compared to same period last year. Our business growth was driven by corporate value chain mainly in support of the Citizen Economic Empowerment Program (CEEP) and inclusion of citizens in the economy. The growth was also experienced in the agricultural sector and the Term lending portfolio. Overall the growth was realised in the sectors aligned to the bank's strategic initiatives. A total of 603 capacity development trainings were delivered to various SMMEs in collaboration with key strategic partners. A Memorandum of Understanding was signed with Ministry of Entrepreneurship to partner in the development and capacity building of SMMEs customers. The SMMEs funded for the period under review created a total of 529 new jobs.

In line with encouraging our customers to adopt and use the digital channels we have seen the digital uptake increasing significantly. In support of the agricultural sector, we continue to be a partner and sponsor for various farmers events and field days across the country (Mookane, Sandveld, Voorslag field days). In continuing to improve the customer experience we have noted significant improvement in the customer experience matrices, which underscores our commitment to continue to address the key themes raised by customers.

Active force for good

Sustainable development is still at the core of our activities, and we maintain a deliberate focus on education and skills development, inclusive financing and environmental sustainability. Our colleagues make considerable contributions to all our selected programs through our colleague volunteering program which remains an integral part of everything that we choose to do to advance sustainable development in Botswana.

Education and skills development is critical for a growing economy, particularly where unemployment levels remain high. Our main area of focus as Absa has been on youth and ensuring that we provide them with training that will enable them to become economically active. ReadytoWork continues to be the program of choice for youth development. The digitally based learning curriculum has been updated to include new modules such as block chain technology, computational thinking, digital literacy and the gig economy. It also features a Career Hub which is inclusive of on-line career guidance and job search tools.

Financial literacy is a critical skill and enables individuals to make informed decisions that contributes to their economic and social wellbeing including their health. As a bank we recognize the significant role that it plays in the lives of our clients and customers and continue to make it a focal point of the work that we do to support the communities in which we operate. Financial literacy sessions have been provided to 7 400 participants including parastatal employees and students in both secondary schools and tertiary institutions.

We are proud to have completed our pilot entrepreneurship skills development program, named Built 4 Biz with the support of Absa South Africa Corporate and Investment Banking team. The program was implemented in Mahalapye with Global Communities who assisted in the recruitment of the 55 participants who are young women. There were three top winners selected who will be provided with seed funding for their respective businesses which includes fashion design, a tuck shop and carpentry. The Built 4 Biz program will continue to provide mentoring to the winners for a period of six months.

As a responsible corporate citizen, we remain concerned about the state of our natural environment and continue to make an effort to reduce our impact and contribute to sustainable solutions. As a result, we have participated in activities including supporting the Inaugural Research Excellence Awards in partnership with the Botswana Academy of Sciences by providing sponsorship for the special category on Sustainable Water Use Award. Our colleagues have commemorated World Water Day, Earth Day, and World Environmental Day by planting trees and participating in environmental clean-up campaigns. Our aspiration is to be a market leader in sustainable finance. To this end, in the first half of the year, we have made significant progress that will lead to the expansion of our product offering to include financing that promotes adoption of sustainable business practices.

Looking ahead

We continue to monitor the economic headwinds, especially the geopolitical tensions that could negatively impact Botswana's growth which is expected to hover around 4%. Inflation is expected to average 4.9% in 2023, within the Central Bank's objective range. The dissipating inflationary pressures and accommodative monetary stance presents tailwinds to spending. Our strategy execution is progressing well, and we maintain a healthy balance sheet to weather any unforeseen economic shocks. We will continue to explore opportunities to diversify our revenue streams and improve our operational efficiencies. Our people are the driving force behind our performance. Culture transformation is therefore a strategic imperative. We will continue to invest in training and development programs aimed at equipping our employees with skills and mindset that enables them to solution for our customers future needs. Our new purpose, Empowering Africa's tomorrow, together...one story at a time, is the foundation of our strategic intent.

Dividend

On 30 August 2023, the Absa Bank Botswana Limited Board approved an interim dividend of P123 million, translating to 14.43 thebe per share. Subject to regulatory approval, it will be payable on 18 October 2023 to those shareholders registered at the close of business on 06 October 2023, with an ex-dividend date of 04 October 2023. In accordance with the Republic of Botswana Income Tax (Cap 52:01) as amended, applicable withholding tax will be deducted by the Bank from the gross dividend.

Condensed Consolidated Statement Of Cash Flows

For the period ended 30 June 2023

	Half year ended 30 June 2023 P'000	Restated Half Year ended 30 June 2022 P'000	Restated Year ended 31 December 2022 P'000
Cash flows from operating activities			
Cash used in operations	(108 382)	(221 096)	(365 886)
Net increase in loans and advances to customers	(807 147)	(694 526)	(1 467 287)
Interest received	965 901	705 095	1 632 480
Interest paid	(284 859)	(181 996)	(432 465)
Income taxes paid	(103 626)	(100 498)	(240 537)
(Decrease)/increase in deposits due to customers	574 462	(874 579)	621 470
Decrease/(increase) in long term loans due from related parties	4 847	105 203	138 221
(Decrease)/increase in long term deposits due to other banks	(147 952)	267 571	109 172
Increase in long term loans due to related parties	(97 746)	85 070	(45 491)
Decrease in statutory reserve with the Central Bank*	-	-	-
(Increase)/decrease in derivative financial instruments	27 812	(13 231)	(30 049)
Net cash generated from operating activities	23 310	(922 987)	(80 327)
Cash flows from investing activities			
Purchase of property, plant and equipment	(12 404)	(9 254)	(16 888)
Proceeds from disposal of property, plant and equipment	(5)	-	568
Purchase of financial instruments held at FVOCI	(2 106 583)	-	(29 498)
Purchase of trading portfolio assets	(202 778)	(315 500)	(617 500)
Proceeds from disposal of trading portfolio assets	204 142	315 000	625 134
Proceeds from/(purchase of) long term financial instruments held at FVOCI	1 529 811	(467 437)	-
Net cash used in investing activities	(587 817)	(477 191)	(38 184)
Cash flows from financing activities			
Dividends paid to shareholders	(342 000)	(236 000)	(339 000)
Issuance of debt securities	(72 628)	119 200	423 400
Redemption of debt securities	7 900	(43 000)	(178 651)
Payment of lease liabilities	(21 323)	(16 484)	(30 281)
Interest payments on lease liabilities	(2 530)	-	(5 495)
Net cash generated in financing activities	(430 581)	(176 284)	(130 027)
Net decrease in cash and cash equivalents	(995 088)	(1 576 462)	(248 583)
Cash and cash equivalents at the beginning of the period*	4 346 611	4 595 272	4 595 272
Effect of foreign exchange rate movements on cash and cash equivalents	(65)	1 943	(78)
Cash and cash equivalents at the end of the period*	3 351 458	3 020 753	4 346 611

* The above amounts have been restated to correct the primary reserve requirement, so as to include it as part of cash and cash equivalents in prior periods, inline with the new application of the IFRIC agenda decision 'Demand Deposits with Restrictions on Use rising from a contract with a third party (IAS 7 Statements of Cashflows)-Agenda Paper 3'.



Absa Bank Botswana Limited

Condensed consolidated interim financial statements For the period ended 30 June 2023

Notes to the condensed consolidated financial statements

For the period ended 30 June 2023

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 2023 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 corporate advisory services and other investment banking services.

These interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and in accordance with the framework concepts and the measurement and recognition requirements of IFRS, and the Banking Act (CAP 46:04) and should be read in conjunction with the Group's 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 2022 except for the impact of standards and amendments to standards which were applicable for the first time in 2023. Cash and cash equivalents now includes the primary reserve requirement as a result of the application of the IFRIC agenda decision 'Demand Deposits with Restrictions on Use arising from a contract with a third party (IAS 7 Statements of Cashflows-Agenda Paper 3)'. These interim financial statements were authorised for issue by the Bank's Board of Directors on 30 August 2023.

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 expenses. 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 annual financial statements for the year ended 31 December 2022.

3. 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 2022. The significant movement in the undrawn commitments was mostly due to new facilities onboarded in Corporate and Investment Banking.

	As at 30 June 2023 P'000	As at 30 June 2022 P'000	As at 31 December 2022 P'000
Undrawn commitments to customers	2 144 427	1 740 200	2 825 864
Letters of credit	99 658	24 847	292 470
Guarantees	498 534	326 369	221 139
Gross contingent liabilities	2 742 619	2 091 416	3 339 473
Expected credit losses	(1 599)	(5 557)	(2 065)
	2 741 020	2 085 859	3 337 408

4. Capital commitments

At 30 June 2023 the commitments for capital expenditure authorised and contracted for amounted to P Nil (31 December 2022: P5 748 000 (30 June 2022: P5 323 000)), and the commitments for capital expenditure authorised but not under contracted for amounted to nil (31 December 2022: nil) (30 June 2022: nil). The reduction in the capital commitments is due to the completion of the projects for which the expenditure was authorized.

5. 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 period ended 31 December 2022.

6. Independent auditors report

Our independent auditors KPMG 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 principal place of business;

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

7. Events occurring after reporting date

An interim dividend amounting to P123 million was declared by the Board on 30 August 2023 subject to regulatory approval.

There were no other material events or changes in the affairs of the Group between the 30 June 2023 period end and the date of the approval of these condensed consolidated interim financial statements that require adjustment to the financial statements.

Segment performance

For the period ended 30 June 2023

Statement of comprehensive income	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Islamic Banking P'000	Non- Segmented Items P'000	Consolidated P'000
Net interest income	444 190	230 280	3 256	-	677 726
Net fee and commission income	222 241	19 624	-	-	241 865
Net trading and other income	27 490	83 069	(2 743)	-	107 816
Total income	693 921	332 973	513	-	1 027 407
Expected credit losses	(45 667)	(124)	-	-	(45 791)
Net operating income	648 254	332 849	513	-	981 616
Operating expenses	(364 596)	(134 269)	-	-	(498 865)
Depreciation of PPE and right of use asset	(34 646)	(221)	-	-	(34 867)
Amortisation of intangible assets	(358)	-	-	-	(358)
Total expenses	(399 600)	(134 490)	-	-	(534 090)
Profit before tax	248 654	198 359	513	-	447 526
Taxation	(54 090)	(43 149)	(112)	-	(97 351)
Profit for the year	194 564	155 210	401	-	350 175

Statement of financial position	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Islamic Banking P'000	Non- Segmented Items P'000	Consolidated P'000
Assets					
Derivative financial instruments	-	275 241	-	-	275 241
Financial assets held at fair value through OCI	80	2 515 583	-	-	2 515 663
Loans and advances to customers	12 428 748	4 679 814	-	-	17 108 562
Trading portfolio assets	-	79 482	-	-	79 482
Other assets	-	-	-	3 202 926	3 202 926
Total Assets	12 428 828	7 550 120	-	3 202 926	23 181 874
Liabilities					
Customers deposits	10 613 436	6 852 850	102 984	-	17 569 270
Derivative financial instruments	-	275 716	-	-	275 716
Debt securities in issue	521 313	-	-	-	521 313
Subordinated debt	627 996	-	-	-	627 996
Other liabilities	-	-	-	1 277 675	1 277 675
Total Liabilities	11 762 745	7 128 566	102 984	1 277 675	20 271 970

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	Islamic Banking P'000	Non- Segmented Items 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 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	Retail and Business Banking P'000	Corporate and Investment Banking P'000	Islamic Banking P'000	Non- Segmented Items 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 Assets	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 Liabilities	11 253 112	5 369 626	-	1 846 773	18 469 511