Absa Bank Botswana Limited

Condensed consolidated interim financial statements

For the period ended 30 June 2024

Your story matters

absa

Total Income
9%

Profit before tax
26%

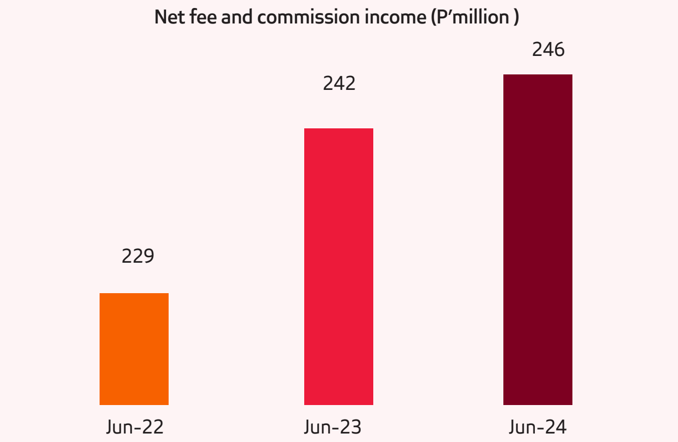
Pre provision profit
14%

Net fee and commission income
2%

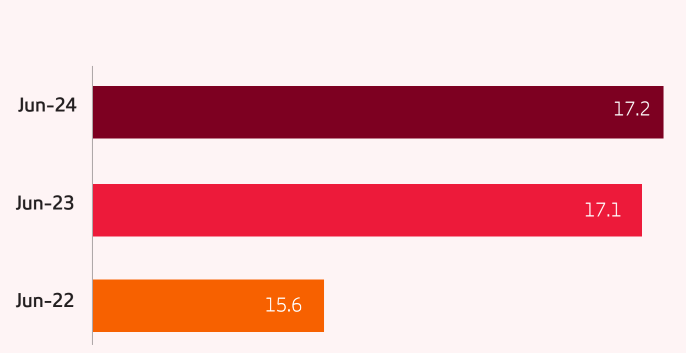
Net loans and advances to customers
4%

Customer deposits
-2%

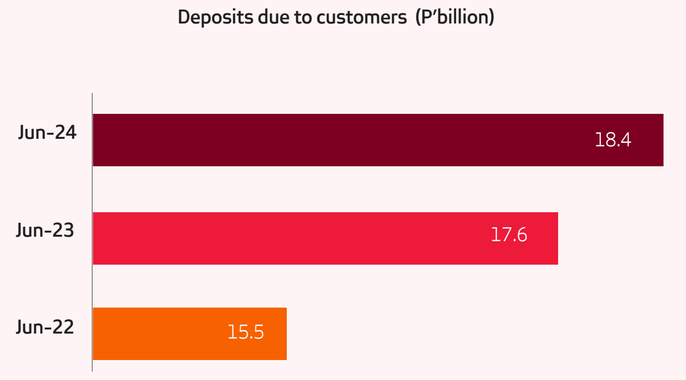
Net fee and commission income (P'million)



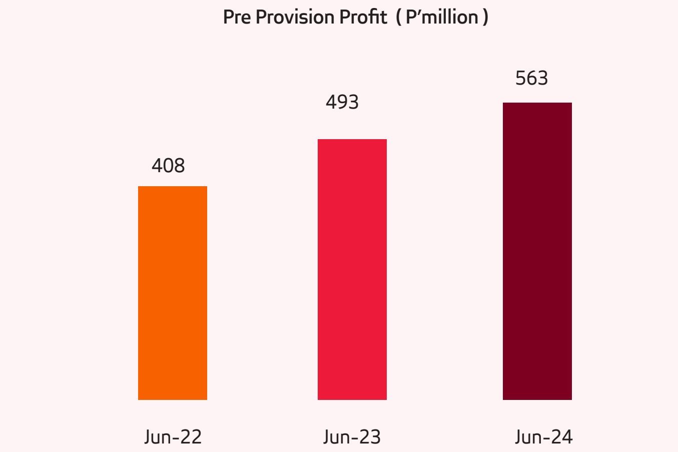
Loans and advances to customers (P'billion)



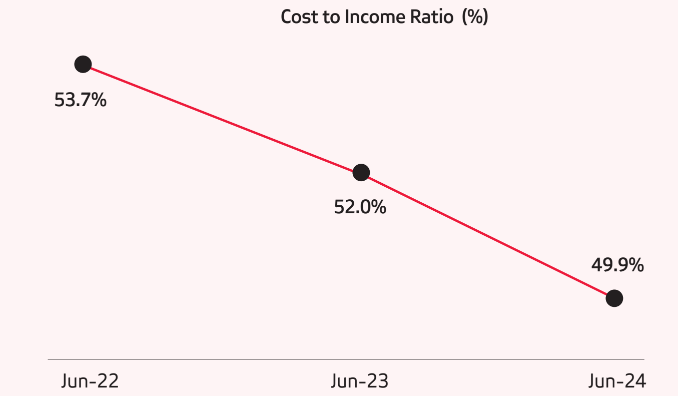
Deposits due to customers (P'billion)



Pre Provision Profit (P'million)



Cost to Income Ratio (%)



Operating environment

The Global economy facing persistent challenges

According to the International Monetary Fund (IMF), global GDP growth is projected at 3.2% in 2024, before edging up to 3.3% in 2025. Prolonged high interest rates have pressured the economic outlook in many countries, and left policymakers grappling to find their footing, all while navigating economies squeezed by tighter financial conditions. Consequently, as global inflation returns to a more acceptable range, central banks in advanced economies with the notable exception of the United States Federal Reserve (Fed), have taken steps to begin easing monetary policy. Therefore, the 2024 growth will be supported by moderating inflation, more accommodative financial conditions and a pickup in global trade.

At regional and national levels, the forecast narrative remains one of divergent near-term trends. Across emerging markets, the expected structural slowdown in China is likely to counterbalance strong growth in India, and a moderate acceleration across the Latin America (LatAm) and Middle East and North Africa (MENA) regions heading into 2025. Although China is predicted to achieve 5% growth this year and 4.5% in 2025, these rates, while impressive, represent a decline from China's pre-pandemic highs. Despite specific government support initiatives, the lingering effects of the property sector downturn and weak consumer and business confidence are likely to dampen domestic economic activity in China. In the United States, the impact of higher interest rates is beginning to weigh on the labor market, slowing job growth and moderating wage increments from their recent peaks. Growth in the U.S. is projected at 2.6% in 2024, tapering to 1.9% in 2025.

Downside risks to the outlook include: high geopolitical tensions, particularly in the Middle East which could disrupt energy and financial markets, causing inflation to spike and growth to falter. Debt-service burdens are already significant, and could rise further, as low-yielding debt is rolled over or fixed-term borrowing rates are renegotiated. Additionally, expectations of a steady decline in inflation might turn out to be overly optimistic.

Sub Saharan Africa navigating a grinding recovery

Economic recovery in sub-Saharan Africa is grinding forward amid idiosyncratic challenges, with the latest IMF projections pointing to 3.7% and 4.1% growth in 2024 and 2025 respectively. The impact of the El Nino induced weather challenges experienced primarily in the first half of the year continues to be felt in most markets, while falling affordability has given rise to social discontent. While fiscal policy played a crucial role in helping countries recover from the COVID-19 pandemic and the fallout of the Russia-Ukraine conflict, there is now an urgent need to restore fiscal and debt sustainability. With limited fiscal space and high debt levels, development spending has been constrained in many markets, further hindering growth. Encouragingly, after two years of tight monetary policy in many markets, there has been a synchronized move towards policy easing, which is likely to pick up momentum when the Fed cuts its policy rate, providing much-needed relief to consumers and aiding the region's fragile economic recovery.

Weaker diamond demand dims Botswana's growth outlook

Botswana's economy contracted by a 5.3% in the first quarter of 2024, this being the lowest quarterly growth recorded since the second quarter of 2020 when the economy contracted by 26.9%. Persistent weak demand for diamonds in key markets was the main drag on economic growth, as reflected by a significant decline in mining (-24.8%) and diamond traders (-46.8%) on a year-on-year basis. In addition, growth was weighed down by contractions in the manufacturing and water & electricity sectors, and slower growth in key sectors, such as construction, wholesale & retail trade, transport, ICT, finance and real estate. The diamond sector's outlook remains clouded with uncertainty due to the continued downbeat global demand, which has led to surplus inventory levels and consequently lower prices. In addition, the steady rise in demand for synthetic or laboratory grown diamonds poses risk to demand for natural diamonds. Furthermore, even as key diamond importing markets such as the US and India have continuedly shown economic resilience, the consumer remains under severe strain from prolonged high interest rates, which have in turn negatively affected demand.

Stable inflation outlook supports accommodative policy stance

Headline inflation averaged 3.3% in the first half of 2024, significantly lower than 7.8% recorded in the same period in 2023, indicating that inflationary pressures have now stabilised from the post-pandemic acceleration and will remain at a relatively steady level over 2024. Although inflation rose by 0.9 percentage points in July to 3.7% year-on-year, this increase was largely due to diminishing base effects following a 3.1 percentage point drop in headline inflation in July 2023, driven by a fuel price adjustment. The Central Bank lowered the policy rate by 25 basis points in June 2024, followed by an additional 25 basis points cut in August 2024.

Condensed consolidated statement of comprehensive income

For the period 30 June 2024

	Half year ended 30 June 2024 P'000	Half year ended 30 June 2023 P'000	% Change
Effective interest income	1,072,645	970,333	11%
Effective interest expense	(311,902)	(292,607)	7%
Net interest income	**760,743**	**677,726**	**12%**
Fee and commission income	297,052	268,231	11%
Fee and commission expense	(50,740)	(26,366)	92%
Net fee and commission income	**246,312**	**241,865**	**2%**
Net trading and investing income	113,506	102,248	11%
Other income	2,166	5,568	-61%
Total income	**1,122,727**	**1,027,407**	**9%**
Expected credit losses/ Impairment losses	(756)	(45,791)	-98%
Net operation income	**1,121,971**	**981,616**	**14%**
Staff costs	(233,586)	(270,914)	**-14%**
Infrastructure costs	(100,595)	(91,577)	**10%**
Administration and general expenses	(225,220)	(171,599)	**31%**
Operating expenses	**(559,401)**	**(534,090)**	**5%**
Profit before tax	**562,570**	**447,526**	**26%**
Taxation	(133,936)	(97,351)	38%
Profit for the period	**428,634**	**350,175**	**22%**
Other comprehensive income (OCI)			
Items that are or may be reclassified subsequently to profit or loss:			
FVOCI/ Available for sale financial assets			
Net gain/(loss) on FVOCI / Available for sale financial assets during the year	5,499	665	727%
Deferred tax	(1,210)	(146)	729%
	4,289	**519**	**726%**
Total other comprehensive income for the year, net of tax	**4,289**	**519**	**726%**
Total comprehensive income for the year, net of tax	**432,923**	**350,694**	**23%**
Earnings per share			
Basic and diluted (thebe per share)	**50.30**	**41.09**	**22%**

Condensed consolidated statement of financial position

As at 30 June 2024

	Half year 30 June 2024 P'000	Year ended 31 December 2023 P'000	% Change
Assets			
Cash	577,320	753,276	-23%
Balances at the Central Bank	500,457	1,147,632	-56%
Trading portfolio assets	68,888	191,177	-64%
Derivative financial instruments	97,592	103,452	-6%
Financial assets at fair value through OCI	3,740,579	2,464,895	52%
Loans and advances to banks	413,175	763,847	-46%
Due from related companies	1,444,018	2,025,897	-29%
Loans and advances to customers	17,170,228	16,568,060	4%
Other receivables	347,620	280,715	24%
Property, plant and equipment	177,209	188,763	-6%
Intangible assets	196	485	-60%
Taxation refundable	30,804	9,766	100%
Deferred tax assets	53,341	106,779	-50%
Total assets	**24,621,427**	**24,604,744**	**0%**
Equity and liabilities			
Liabilities			
Deposits from banks	558,970	427,521	31%
Due to related companies	483,599	503,487	-4%
Customer deposits	18,394,586	18,699,798	-2%
Derivative financial instruments	87,239	96,040	-9%
Other payables	591,821	473,656	25%
Provisions	25,663	112,974	-77%
Current tax payable	-	4,051	-100%
Debt securities in issue	858,946	625,567	37%
Subordinated debt	525,734	625,487	-16%
Total liabilities	**21,526,558**	**21,568,581**	**0%**
Shareholders' equity			
Stated capital	17,108	17,108	0%
General risk reserves	126,989	126,989	0%
Fair value reserves	(3,115)	(7,404)	-58%
Share-based payment reserve	13,346	12,563	6%
Share capital reserve	2,060	2,060	0%
Retained income	2,938,481	2,884,847	2%
Total equity attributable to equity holders	**3,094,869**	**3,036,163**	**2%**
Total equity and liabilities	**24,621,427**	**24,604,744**	**0%**

Financial performance

Statement of comprehensive income

During the period under review, Absa Bank Botswana Limited (the Bank) delivered a strong 26% growth in profit before tax, driven by a solid 12% increase in net interest income. Operating expenses were kept to a controlled 5% increase, supported by cost efficiencies gained from 2023 into 2024. Our total revenue increased by 9%, primarily due to our strategic focus on above hurdle return products that enhanced interest income growth by 11%. This approach positions us to optimise our performance ahead of lower interest rate environment.

Our commitment to diversifying revenue streams is bearing fruit, as evidenced by an 11% growth in fee and commission income, supported by digital initiatives and broader diversification efforts. Pre-provision profit rose by 14%, leading to an annualised Return on Equity (ROE) of 28% as of 30 June.

Operational efficiency remains at the heart of our strategy. Our cost containment measures have been effective, with overall operational costs increasing just 5% year on year, aligning closely with inflation rates. These results reflect the continued momentum from last year's initiatives, to ensure we have sustainable business for the medium to long term.

Statement of financial position

We continue to maintain a solid and resilient balance sheet, with a total financial position of P25 billion, reflecting 6% growth in comparison to June 2024, and a stable structural composition. Our capital levels remain robust, ensuring we are well-positioned to support future growth.

Customer loans and advances rose by 4% year on year, driven by targeted opportunities within our Retail and Business Banking (RBB) segment.

Looking ahead, we are anticipating a challenging second half of the year due to a muted GDP outlook, coupled with a lower interest rate environment. Our strategic focus will remain steadfast on meeting our customer expectations and driving revenue diversification to navigate the remainder of year effectively.

Capital and liquidity management

The Bank's capital and liquidity management remains a key strength, with our capital position remaining relatively constant at P3.7 billion as of June 2024. This reflects a healthy capital adequacy ratio of 20.91%, well above the minimum regulatory requirement of 12.5%. Our liquid asset ratio of 17.8% further demonstrates our strong position above the regulatory minimum of 10%.

Corporate and investment banking

Corporate Banking has remained resilient in its strategic execution, predominantly anchored on client experience, a sector focused approach on growth and emerging industries including the diversification of revenue streams. Half year 2024 closed at 15 % revenue growth in comparison to the same period in prior year, and this is mostly attributable to strong client relationships and tailored client solutions, supported by incremental operational efficiencies that the business has been investing in over time. The reported growth does not reflect under segmental performance, as treasury revenue was categorized under retail and business banking as a prospective approach in June 2024. In contrast, for the comparative period in June 2023, treasury revenue was reported under corporate and investment banking. The first half of the year has been marked by a strategic push towards commercialising our recently launched products, specifically in Trade and Working Capital. Unsecured bid bonds were introduced in the fourth quarter of 2023, and are in line with Citizen Economic Empowerment Initiatives by the government and key corporates. Trade and Working capital will continue to grow in revenue contribution as the relevance of trade products to the Botswana market continues to increase.

While noting the economic challenges faced in the first half of the year primarily around diamonds and the value chain. Corporate Banking remains poised in viewing minerals and mining in Botswana as a key sector with a view of supporting emerging industries, to foster sustainable economic growth which increases the evolution of local corporates and drives revenue diversification. This alignment has enabled us to respond to current and future infrastructural developments, and has further created a platform for us to deliver innovative structured solutions, emphasising long-term positive societal impact, such as the Sustainability linked loan offered to a client, which aims to touch over 100 million lives by 2030 across Africa.

To achieve a culture transformation, we embarked on a journey to deliver superior client experience, to ensure outreach and solutioning to clients needs and exceed expectations. The 13% year-on-year improvement in our Client Experience Index Survey rating for 2024, is a clear indicator of our ongoing commitment to client-centricity. This growth highlights the success of our initiatives aimed at enhancing customer interactions, streamlining service delivery, and responding proactively to client feedback. The deliberate and intentional personalised service offering has played a pivotal role in driving this positive outcome.

We have undertaken significant enhancements to our digital platform, Absa Access Online. These enhancements are designed to deliver a more streamlined, intuitive, and secure experience for our clients, ensuring they continue to enjoy seamless access to our suite of financial services. We have ensured a smooth transition and are set to redefine our clients' digital banking experience, aligning with our broader digital transformation strategy.

Retail Banking

Our results for the first half of 2024 reflect our unwavering commitment to understanding and supporting our clients' unique journeys, reinforcing our role as their primary financial partner. By consistently delivering innovative and relevant solutions, we have strengthened the Retail Bank's resilience amidst a challenging socio-economic climate.

The Retail Bank's performance was promising, with retail revenue playing a significant role in driving overall Bank performance. Our total revenue experienced a year-on-year growth of 4%, supported by a 6% increase in interest income and a 5% growth in non-interest income. Notably, customer deposits expanded by 14%, while loans and advances saw a 2% increase, reflecting the success of strategic initiatives aimed at fostering a savings culture amidst household income pressures. Our strategy to drive customer primacy has led to a 4% year on year growth in customer numbers.

These results are reflective of our customer centered approach, and placing the needs of our clients at heart. To enhance our product offering, we launched the Absa Flexi Funeral Plan and enhanced the Kgomotso funeral plan proposition through partnership with Funeral Services Group, to offer discount to clients upon placing funeral claims. Our refurbished four in one Francistown Branch was opened in Galo Mall, offering clients convenience of a one stop shop. We also enhanced our personal lending propositions by expanding the maximum unsecured loan limits to P750,000, and maximum loan term to 96 months to provide the much-needed financing to our clients. These enhancements highlight our customer centricity and commitment to giving clients the best value through our services.

We also invested in social and sports initiatives by sponsoring the inaugural Absa Summer Kidz Marathon, where 1000 children participated, showcasing our dedication to advancing youth sports and financial literacy. FutureU, our flagship product, played a key role in this commitment allowing us to continue to foster a savings culture in our youth.

We continued to drive financial inclusion through our Spark by Absa wallet by partnering with entities in remote and rural areas to act as a Spark merchants.

Our commitment is to be the leading partner for our clients by executing a customer-centered strategy that delivers innovative solutions tailored to their needs. We will continue to focus on fostering the growth and development of the communities we serve, while advancing inclusive banking and further digitising our key processes. Our employees are integral to the quality of service we provide and will remain pivotal to how we show up in the last half of the year.

Business Banking

For first six months of the year Business Banking has grown revenue by 9.8%, compared to the same period in 2023. Loans and advances have shown a decline of 5% due to the slow conversion of the pipeline, high attrition of the loan book (mainly in the Commercial Asset Finance), and customer deposits grew by 31.9%. The business has experienced some significant increases on the impairment mainly coming from the construction sector. A total of 350 capacity development trainings were delivered to various Small, Medium and Micro Enterprises (SMMEs) across the country in collaboration with a key strategic partners.

The SMMEs funded for the period under review created a total of 336 new jobs. As part of driving the digital channels adoptions, we onboarded 537 new customers on the Absa Internet banking for Business (AIB). We also had 61% digitally active customers. Business Banking has continued to sponsor and participated at Mookane, Sandveld, Voorslag fields days as part of our strategic focus to support the agricultural sector. The segment has also seen some improvement on the customer experience score, treating the customers fairly matrices, and this underscores our commitment to continue to address the key issues impacting our customers.

The business was recognized by Global Finance magazine as the Best SME Bank and the best Agri bank for 2024.

Citizenship

The Bank continues to demonstrate its commitment to the social and economic development of the communities it serves. Despite ongoing challenges, we have remained resilient and innovative, leveraging technology and strategic partnerships to advance our Citizenship agenda. Our efforts in the first half of 2024 have focused on sustainable financing, education and skills development, and the environment. We found it fit and reviewed our Citizenship strategy to ensure that it is relevant and future proof with emphasis on women, youth, and entrepreneurship.

We have expanded our initiatives in education and skills development, reaching a broad audience through various programs. Our focus remains on empowering youth, women and small businesses with the skills and knowledge necessary to thrive in today's competitive landscape.

We continued to support the education of young Batswana through the F.G. Mogae Scholarship Fund. In the 2024 tertiary cycle, two scholarships have been awarded to students pursuing their Masters programmes at local universities.

The ReadytoWork platform has trained 1,618 individuals in the first half of 2024, in collaboration with our partners. Participants received training in key modules, including money skills, entrepreneurial skills, work skills, and people skills.

We remain committed to empower SMEs through our Enterprise and Supply Chain Development (ESD) Programme, which enable them to effectively participate in the economy. In the period under review, we trained 350 SMEs equipping them with the skills and knowledge needed for long-term success in today's competitive market.

As part of our focus on the environment the Bank's continued its thrust of planting trees with first batch of one hundred trees planted in commemoration of 2024 World Environment Day. Through our partnerships and as part of the bank's employee volunteerism, more trees will be planted in the second half of the year. This initiative is part of our ongoing efforts to play a part in environmental conservation.

As we move into the second half of 2024, the Bank remains dedicated to advancing our Citizenship Agenda with a focus on innovation, and impactful community engagement.

Looking ahead

We expect inflation to remain within the 3-6% target range through the remainder of the year, despite the upside risk posed by drought on both food prices and the currency. Nonetheless, we expect inflation to average 3.4% this year, down from 5.1% last year. That said, we anticipate a steady increase in inflation into 2025 averaging 4.4% on the back of base effects, and an improvement in demand.

The non-mining sector will be supported by subdued inflation and accommodative monetary policy however, the contraction of the diamond sector and lower agricultural output will be major detractors from overall economic growth. Considering the sharp decline in real GDP in the first quarter of 2024, and weak diamond prospects for the remainder of the year, we have downwardly revised our 2024 growth projection to 1.2% in 2024. Furthermore, we believe that growth could rebound to 3.5% in 2025, as the supply and demand mismatch in the global market for diamonds gradually diminishes, providing some upward pressure on prices and by extension, supporting mining output.

In the face of the economic uncertainty, we remain confident that our strategy will deliver the desired outcomes. Our business is well-capitalised, providing us with the resilience to pursue growth opportunities and navigate unforeseen challenges. As we continue to grow and diversify our revenue streams, sustainability will be elevated, with Environmental, Social, and Governance (ESG) principles embedded in our operations and strategy execution. Climate change remains central to our environmental agenda, and our ambition is to be Botswana's leader in sustainable finance. We are committed to developing products and solutions that support our customers in transitioning to renewable energy and addressing social challenges in the communities we serve.

Our employees are the driving force behind the execution of our strategy, meeting the daily needs of our customers. We will continue to invest in their development, ensuring they are equipped with the skills and knowledge required to navigate the evolving regulatory environment. This will enable them to support our customers as they overcome economic challenges and write the next chapter of their stories. In doing so, we will live to our purpose: "Empowering Africa's tomorrow, together… one story at a time."

Dividend

On 30 August 2024, the Bank's Board approved an interim dividend of 23.47 thebe per share, amounting to circa P200million. Subject to regulatory approval, this will be payable on 17 October 2024, to those shareholders registered at the close of business on 7 October 2024, with an ex-dividend date of 3 October 2024. 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 by the Bank.

Cosmas Moapare
Board Chairman

Keabetswe Pheko-Moshagane
Managing Director

Condensed consolidated statement of changes in equity

For the period ended 30 June 2024

	Stated capital P'000	General risk reserve P'000	FVOCI investment revaluation reserve P'000	Share-based payment reserve P'000	Retained earnings P'000	Share capital reserve P'000	Total equity attributable to shareholders P'000
Balance at 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 loss for the year	-	-	(519)	-	-	-	(519)
Total comprehensive income for the period	**-**	**-**	**(519)**	**-**	**350,176**	**-**	**349,657**
Dividends paid	-	-	-	-	(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**
Balance at 1 July 2023	**17,108**	**126,863**	**(27,293)**	**7,858**	**2,783,308**	**2,060**	**2,909,904**
Profit for the period	-	-	-	-	224,665	-	224,665
Other comprehensive income for the period	-	-	19,889	-	-	-	19,889
Total comprehensive income for the period	**-**	**-**	**19,889**	**-**	**224,665**	**-**	**244,554**
Payment of dividends	-	-	-	-	(123,000)	-	(123,000)
Recognition of share-based payments	-	-	-	4,705	-	-	4,705
Transfers from retained earnings	-	126	-	-	(126)	-	-
Total transactions with owners	**-**	**126**	**-**	**4,705**	**(123,126)**	**-**	**(118,295)**
Balance at 31 December 2023	**17,108**	**126,989**	**(7,404)**	**12,563**	**2,884,847**	**2,060**	**3,036,163**
Balance at 1 January 2024	**17,108**	**126,989**	**(7,404)**	**12,563**	**2,884,847**	**2,060**	**3,036,163**
Profit for the year	-	-	-	-	428,634	-	428,634
Other comprehensive income	-	-	4,289	-	-	-	4,289
Total comprehensive income	**-**	**-**	**4,289**	**-**	**428,634**	**-**	**432,923**
Payment of dividends	-	-	-	-	(375,000)	-	(375,000)
Recognition of share based payments	-	-	-	783	-	-	783
Transfers from/(to) retained earnings	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**783**	**(375,000)**	**-**	**(374,217)**
Balance at 30 June 2024	**17,108**	**126,989**	**(3,115)**	**13,346**	**2,938,481**	**2,060**	**3,094,869**

Condensed consolidated statement of cash flows

For the period ended 30 June 2024

	Half year ended 30 June 2024 P'000	Half year ended 30 June 2023 P'000	Year end 31 December 2023 P'000
Cash flows from operating activities			
Cash used in operations	(196,491)	(108,382)	(19,880)
Net increase in loans and advances to customers	(580,511)	(807,147)	(287,573)
Interest received	1,050,840	965,901	2,024,119
Interest paid*	(315,154)	(287,389)	(622,844)
Income taxes paid	(105,827)	(103,626)	(213,768)
(Decrease)/increase in deposits due to customers	(301,960)	574,462	1,694,966
Decrease/(increase) in long term loans due from related parties	3,726	4,847	(32,785)
(Decrease)/increase in long term deposits due to other banks	131,449	(147,952)	(475,381)
Increase in long term loans due to related parties	-	(97,746)	-
Purchase of trading portfolio assets*	(160,911)	(202,778)	(586,519)
Proceeds from disposal of trading portfolio assets*	283,200	204,142	476,283
Decrease in derivative financial instruments	(2,941)	27,812	7,467
Net cash generated from operating activities	**(194,580)**	**22,144**	**1,964,085**
Cash flows from investing activities			
Purchase of property, plant and equipment	(20,507)	(12,404)	(54,674)
Proceeds from disposal of property, plant and equipment	-	(5)	7,697
Purchase of financial instruments held at FVOCI	(1,282,607)	(576,772)	(99,944)
Net cash used in investing activities	**(1,303,114)**	**(589,181)**	**(146,921)**
Cash flows from financing activities			
Dividends paid to shareholders	(375,000)	(342,000)	(465,000)
Issuance of debt securities	261,979	7,900	364,800
Redemption of debt securities	(28,600)	(72,628)	(323,810)
Redemption of subordinated debt	(102,590)	-	-
Payment of lease liabilities	(19,944)	(21,323)	(36,056)
Net cash generated in financing activities	**(264,155)**	**(428,051)**	**(460,066)**
Decrease in cash and cash equivalents	**(1,761,849)**	**(995,088)**	**1,357,098**
Cash and cash equivalents at the beginning of the year	5,701,912	4,346,611	4,346,476
Effect of foreign exchange rate movements on cash and cash equivalents	2,829	(65)	(1,662)
Cash and cash equivalents at the end of the year	**3,942,892**	**3,351,458**	**5,701,912**

*The above balances were reclassified as per the restatement in December 2023 from investing to operating activities. Interest on lease liabilities previously classified under financing activities were reclassified to operating activities.

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 consolidated interim financial statements ("interim financial statements") for the six months ended 30 June 2024 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 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 Accounting Standards, and the Banking Act (CAP 46:04) and should be read in conjunction with the Group's last annual 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 2023 except for the impact of standards and amendments to standards (refer note 19) which were applicable for the first time in 2024.

These condensed consolidated interim financial statements were authorised for issue by the Bank's Board of Directors on 30 August 2024.

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.

Judgements made by management that could have a significant effect on the amounts recognised in the condensed consolidated interim financial statements include:

- Expected credit losses of financial assets
- Accounting treatment for repossessed assets
- Useful lives and residual values of property plant and equipment
- Useful lives and residual values of intangible assets
- Basis for provision for commission refund
- Income taxes

Basis for determining fair values of investments

- Valuation of the share-based payment reserve
- Valuation of the retirement benefit plan

Expected credit losses (ECL) of financial assets

The consideration of credit risk is a fundamental process for the Group as it ultimately determines the impairment losses recognised from an accounting perspective. This section describes the processes and assumptions applied in estimating impairment under IFRS 9.

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 2023. The significant movement in the undrawn commitments was mostly due to new facilities onboarded in Corporate and Investment Banking.

Segment performance

For the period ended 30 June 2024

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	540,510	219,635	598	-	760,743
Net fee and commission income	223,585	23,027	(300)	-	246,312
Net trading and other income	27,260	88,412	-	-	115,672
Total income	**791,355**	**331,074**	**298**	**-**	**1,122,727**
Expected credit losses	4,023	(4,779)	-	-	(756)
Net operating income	**795,378**	**326,295**	**298**	**-**	**1,121,971**
Operating expenses	(387,075)	(138,399)	-	-	(525,474)
Depreciation of PPE and right of use asset	(33,477)	(161)	-	-	(33,638)
Amortisation of intangible assets	(289)	-	-	-	(289)
Total expenses	**(420,841)**	**(138,560)**	**-**	**-**	**(559,401)**
Profit before tax	**374,537**	**187,735**	**298**	**-**	**562,570**
Taxation	(89,169)	(44,696)	(71)	-	(133,936)
Profit for the year	**285,368**	**143,039**	**227**	**-**	**428,634**

Segment performance

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	-	97,592	-	-	97,592
Financial assets held at fair value through OCI	3,740,579	-	-	-	3,740,579
Loans and advances to customers	12,740,121	4,430,107	-	-	17,170,228
Trading portfolio assets	-	68,888	-	-	68,888
Other assets	-	-	-	3,544,140	3,544,140
Total Assets	**16,480,700**	**4,596,587**	**-**	**3,544,140**	**24,621,427**
Liabilities					
Customers deposits	9,848,668	7,582,198	963,720	-	18,394,586
Derivative financial instruments	-	87,239	-	-	87,239
Debt securities in issue	858,946	-	-	-	858,946
Subordinated debt	525,734	-	-	-	525,734
Other liabilities	-	-	40	1,660,013	1,660,053
Total Liabilities	**11,233,348**	**7,669,437**	**963,760**	**1,660,013**	**21,526,558**

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**

Segment performance

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					
Customer 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**

4. **Contingent liabilities and commitments (continued)**

	30 June 2024 P'000	30 June 2023 P'000	31 December 2023 P'000
Undrawn commitments to customers	2 137 114	2 144 427	2 649 257
Letters of credit	149 628	99 658	210 204
Guarantees	492 431	498 534	470 485
Gross contingent liabilities	**2 779 173**	**2 742 619**	**3 329 946**
Expected credit losses	(4 970)	(1 599)	(5 548)
	2 774 203	**2 741 020**	**3 324 398**

5. Capital commitments

	30 June 2024 P'000	30 June 2023 P'000	31 December 2023 P'000
Already contracted for but not provided for			
Capital expenditure	12 765	-	5 133
Not yet contracted for and authorised by directors	4 685	-	11 867
	17 450	**-**	**17 000**

This committed expenditure relates to property and will be financed by available bank facilities, retained profits, rights issue of shares, issue of debentures, mortgage facilities, existing cash resources, funds internally generated, etc.

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 2023.

7. **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 registered office.

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

8. **Events occurring after reporting date**

An interim dividend of 23.47 thebe per share amounting to circa P200 million was declared on the 30th of August 2024, subject to regulatory approval. The directors are not aware of any other events (as defined per IAS 10 events after the Reporting Period) after the reporting date of 30 June 2024, and the date of authorization of these condensed consolidated financial results.