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Independent Auditor's Report
To the Shareholders of Standard Chartered Bank Botswana Limited
Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Botswana Limited and its subsidiaries ("the Group") and Company set out on pages 11 to 84, which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and the notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Standard Chartered Bank Botswana Limited as at 31 December 2020, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Banking Act (CAP 46:04).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate* Financial *Statements* section of our report. We are independent of the Group and Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (including International Independence Standards) *(IESBA Code)* together with other ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matter applies to both the audit of the consolidated and separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
Credit Impairment of loans and advances to customers (Consolidated and separate financial statements) At 31 December 2020 the Group and Company reported total credit impairment of P41m (2019: P32m) on loans and advances to customers of P8.1 billion (2019: P7.9 billion), as per note 9 to the financial statements. We identified the audit of credit impairment/expected credit losses (ECL) as a key audit matter in the audit of the Group and Company due to the following: • The loans and advances to customers are significant in value as they represent 58% of total assets to the Group and Company's financial statements; • Determination of ECL involves management judgement and is subject to a high degree of estimation uncertainty. These risks have significantly increased in the current year as a result of the Covid-19 pandemic. In particular we have focussed on the following areas of significant judgement and estimation which required the use of specialists, additional audit effort and increased discussions with management during the course of the audit: **Modelled ECL provisions** • A significant portion of ECL is calculated on a modelled basis. The development and execution of these models require significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. Significant increases in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at inception. This assessment incorporates judgement and estimation by management, including the impact of Covid-19 which was an additional consideration in the current year. **Management adjustments** • Management adjustments are applied to ECL model outputs where the existing models do not fully incorporate factors which have an impact on the ECL. The modelling methodologies are developed using historical experience, which can result in limitations in their reliability to	We have performed the following procedures, amongst others: • We obtained an understanding of the loans and advances process which included the adjustments made to the ECL model. • We evaluated the design and operating effectiveness of controls relevant to the Group and Company's processes over credit origination, credit monitoring and credit remediation. **Modelled ECL provisions** • We inspected minutes of the management executive forums for evidence of executive review and challenge of credit models and ECL provisions. • With the assistance of our internal modelling specialists, we evaluated a sample of ECL models by assessing the reasonableness of the underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design and formulae used, alternative modelling techniques and recalculating the PD, LGD and EAD. • To evaluate data quality, we compared a sample of ECL calculation data points to source systems, including balance sheet data used to run the models. We also tested a sample of the ECL data points from the calculation engine through to the general ledger and disclosures. • We involved our internal economic specialists to assist us in evaluating the reasonableness of the base forecast and the range of economic scenarios produced by the statistical models used for the calculation of the expected credit losses by benchmarking these against external evidence and economic data. • We assessed the appropriateness of the Group and Company's significant increases in credit risk (SICR) methodologies and

appropriately estimate ECL. These limitations are often addressed with adjustments, which are inherently judgemental and subject to estimation uncertainty. Management has made significant adjustments to ECL to address these limitations through judgemental adjustments to modelled outcomes. The nature and extent of these limitations and the resulting changes to ECL varies across different loan portfolios. The disclosure associated with credit impairment of loans and advances is set out in the financial statements in the following notes: ▶ Note 3 - Expected credit losses ▶ Note 4.2 - Credit risk ▶ Note 9 - Expected credit loss on financial assets ▶ Note 18 - Loans and advances to customers	calibrations of the models by testing the stage allocations, including the SICR for a sample of portfolios and individual exposures. • We recalculated the ECL numbers and compared the recalculated numbers to that of the Group and the Company's ECL numbers per stage and per portfolio. **Management adjustments** • We assessed the inputs (data, assumptions and judgements) applied by management when estimating the manual management adjustments against the requirements of *IFRS 9: Financial instruments* and considered the appropriateness of these adjustments against the bank's internal data, external, legal, regulatory and economic information and the bank's internal governance processes. • We selected and tested a sample of the management adjustments in the ECL model. • We reviewed minutes of management executive forums to evaluate management's governance processes over the adjustments in the ECL model. We assessed the appropriateness of the accounting policies, loan impairment methodologies applied and the adequacy of the disclosures by comparing these to the requirements of *IFRS 9- Financial Instruments.*

Other Matter

The financial statements of the Group and Company for the year ended 31 December 2019, were audited by another auditor who expressed an unmodified opinion on those financial statements on 14 April 2020.

Other Information

Other information comprises the information included on page 1 to 5 of the document titled "Standard Chartered Bank Botswana Limited Consolidated and Separate Annual Financial Statements for the year ended 31 December 2020", which includes the Directors' Responsibility Statement and the Director's Report as required by the Companies Act (CAP 42:01), which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The directors are responsible for the other information. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) and the Banking Act (CAP 46:04) and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Company's financial reporting processes.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

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of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group and Company audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young
Practicing member: Thomas Chitambo
Partner
Certified Auditor
Membership number: 20030022
Gaborone

31 March 2021