KPMG, Chartered Accountants
Audit
Plot 67977, Off Tlokweng Road,
Fairgrounds Office Park
PO Box 1519, Gaborone, Botswana
Telephone +267 391 2400
Fax +267 397 5281
Web http://www.kpmg.com/

Independent Auditor's Report

To the shareholders of Absa Bank Botswana Limited

Opinion

We have audited the consolidated and separate financial statements of Absa Bank Botswana Limited (the Group and Company) which comprise the consolidated and separate statements of financial position as at 31 December 2023, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, material accounting policies and notes to the consolidated and separate financial statements set out on pages 18 to 142.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Absa Bank Botswana Limited as at 31 December 2023, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) ,and the requirements of the Companies Act of Botswana (Companies Act, 2003) 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

<table>
<tr><td colspan="2">Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets

• Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling

• Note 8 - Expected credit losses

• Note 21 - Loans and advances to customers

• Note 22 – Credit risk reconciliation</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's and Company's loans and advances to customers and related ECL are material to the consolidated and separate financial statements.

We identified the impairment of loans and advances to customers as a key audit matter considering the high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers.

In particular, we focused 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

• A significant portion of the ECL is calculated on a modelled basis which</td><td>Making use of our internal quantitative and economic experts, our audit procedures addressed the key areas of significant judgement and estimation in determining the ECL on loans and advances to customers, as set out below.

In addition, we tested the relevant management controls over model data integrity and tested the completeness and accuracy of model data inputs over the model data inputs, where considered material to the models.

• We have assessed the design and implementation of the controls relating</td></tr>
</table>

Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets

- Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling
- Note 8 - Expected credit losses
- Note 21 - Loans and advances to customers
- Note 22 – Credit risk reconciliation

Key audit matter	How the matter was addressed in our audit
incorporates observable data, assumptions and estimations. The development and execution of these models requires 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 origination. This assessment incorporates judgement and estimation by management.	to ECL models, including assessing the significant assumptions applied with reference to the requirements of IFRS 9, Financial Instruments (IFRS 9) expected credit loss methodology. • We have tested the operating effectiveness of management's ECL modelling controls which support the assumptions used in determining the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters included in the models. • Our quantitative experts have reperformed the model calculations using assumptions as per the model documentation, and independently reperformed PD, EAD and LGD parameters, to test the accuracy of the ECL calculations.

Impairment of loans and advances to customers The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes: - Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets • Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling • Note 8 - Expected credit losses • Note 21 - Loans and advances to customers • Note 22 – Credit risk reconciliation	
Key audit matter	How the matter was addressed in our audit
Estimation and incorporation of multiple forward-looking macro-economic scenarios • The macro-economic scenarios forecasts are developed by Absa Group Limited's economics team and involve significant judgement. Given the uncertain macro-economic environment, both locally and internationally, there is complexity in incorporating these scenario forecasts, forward looking information and probability weightings into the	• We have assessed the appropriateness of the significant increases in credit risk (SICR) methodologies and calibrations of the models by testing the stage allocations including the SICR for a sample of portfolios and individual exposures. The reperformed ECL numbers have been compared to the Group's and Company's ECL numbers per stage and per portfolio. • We have tested the design and implementation of controls over the approval of updated macro-economic forecasts and related ECL impacts. • We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data.

Impairment of loans and advances to customers The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes: - Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets • Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling • Note 8 - Expected credit losses • Note 21 - Loans and advances to customers • Note 22 – Credit risk reconciliation	
Key audit matter	How the matter was addressed in our audit
estimation of ECL. • Management adjustments are applied to ECL model outputs where the existing models do not fully incorporate macro-economic factors which impact on the ECL. • Determining the key macro-economic drivers which included interest rates, inflation rate and gross domestic product of credit risk including the relative importance/weighting of each identified factor requires judgement and estimation by management.	• We have tested the design and implementation and operating effectiveness of controls over the application of the macro-economic analytical models and sensitivity approaches adopted by management. • We performed independent ECL quantification analyses on economic forecasts, considering third party and our own data, to assess the reasonability of the macro-economic management adjustments. • We reperformed management adjustments, challenged the appropriateness of the assumptions and inputs used and have assessed management's governance processes over the management adjustments. • We have assessed management's rationale for the macro-economic variable (MEV) adjustments and evaluated them against our

Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets

- Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling
- Note 8 - Expected credit losses
- Note 21 - Loans and advances to customers
- Note 22 – Credit risk reconciliation

Key audit matter	How the matter was addressed in our audit
Stage 3 ECL provisions assessed on an individual basis • A significant portion of loans and advances to customers are assessed for recoverability on an individual basis, primarily in the corporate, investment banking and business banking portfolios which requires specific audit effort. Significant judgements, estimates and assumptions are applied by management to: ○ Determine if the financial asset is credit impaired;	understanding of the factors used based on independent data. • Where there is a range of uncertain potential outcomes, we have considered a range of possible outcomes, formed an independent view using independent data and compared to that of management and discussed the differences. • We gained an understanding of management's processes over judgements used to determine whether specific exposures are credit impaired and tested the design and implementation and operating effectiveness of controls over the judgements applied. • Our procedures focused on assessing the reasonability of the estimate of the amount and timing of expected future

Impairment of loans and advances to customers The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes: - Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets • Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling • Note 8 - Expected credit losses • Note 21 - Loans and advances to customers • Note 22 – Credit risk reconciliation	
Key audit matter	How the matter was addressed in our audit
○ Evaluate the valuation and recoverability of collateral; ○ Determine the expected future cash flows to be collected; and ○ Estimate the timing of the future cash flows.	cash flows used in measuring ECL. We have performed the following for a sample of stage 3 exposures: ○ Where exposures are collateralized, we tested the Company's legal right to the collateral by inspecting legal agreements and bond registration information, as well as the reasonability of the valuation of the collateral by evaluating key assumptions against available market and internal information. We also assessed the reasonableness of the timing of the cash flows with reference to the relevant underlying collateral. ○ Where management has utilised specialists to value the collateral, we have assessed the competence and objectivity of those specialists.

<table>
<tr><td colspan="2">Impairment of loans and advances to customers

The disclosure associated with expected credit losses (ECL) on loans and advances to customers is set out in the consolidated and separate financial statements in the following material accounting policy and notes:

- Material accounting policies 1.14 - Financial instruments and 1.21 - Judgements and estimates, Expected credit losses (ECL) of financial assets

• Note 2 - Incorporation of forward-looking information into the IFRS 9 modelling

• Note 8 - Expected credit losses

• Note 21 - Loans and advances to customers

• Note 22 – Credit risk reconciliation</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Disclosures related to IFRS 7, Financial instruments disclosures (IFRS 7) and credit risk

IFRS 7 and credit risk disclosures are significant as they rely on material data inputs and explain the management judgement, estimates and assumptions used in determining the ECL, including management adjustments and sensitivity analyses.</td><td>We evaluated whether the disclosures are consistent with the ECL information tested which included the ECL data, models, estimates, management adjustments and macroeconomic forecasts.</td></tr>
</table>

Emphasis of matter - comparative information

We draw attention to note 55 to the consolidated and separate financial statements which indicates that the comparative information presented as at and for the year ended 31 December 2022 has been restated. Our opinion is not modified in respect of this matter.

Other matter relating to comparative information

The consolidated and separate financial statements of the Group and Company as at and for the years ended 31 December 2022 and 31 December 2021 (from which the statement of financial position as at 1 January 2022 has been derived), excluding the adjustments described in note 55 to the consolidated and separate financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2023.

As part of our audit of the consolidated and separate financial statements as at and for the year then ended 31 December 2023, we audited the adjustments described in note 55 that were applied to restate the comparative information presented as at and for the year then ended31 December 2022 and the statement of financial position as at 1 January 2022.

We were not engaged to audit, review, or apply any procedures to the consolidated and separate financial statements for the years ended 31 December 2022 or 31 December 2021 (not presented herein) or to the statement of financial position as at 1 January 2022, other than with respect to the adjustments described in note 55 to the consolidated and separate financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in note 55 are appropriate and have been properly applied.

Other information

The directors are responsible for the other information. The other information comprises the General Information, Directors' Responsibilities and Approval, Corporate Governance Report and Directors' Report but does not include the consolidated and separate financial statements and our auditor's report thereon which we obtained prior to the date of this auditor's report and the Integrated Report, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express 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 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 that we 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 of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the requirements of the Companies Act of Botswana (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's 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 and/or Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 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 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/or 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 financial statements. We are responsible for the direction, supervision and performance of the group 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 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.

KPMG

KPMG
Certified Auditors
Practicing Member: Adele Venter
Certified Auditor of Public Interest Entity
BAOA Certificate Number (CAP 0040 2023)

28 March 2024
Gaborone