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Independent Auditor's Report

To the shareholder of Stanbic Bank Botswana Limited

Opinion

We have audited the consolidated and separate financial statements of Stanbic Bank Botswana Limited (the Group and Company) set out on pages 54 to 178 which comprise the statements of financial position at 31 December 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, material accounting policies and notes to the financial statements.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Stanbic Bank Botswana Limited 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 in compliance with the requirements of the Banking Act (Cap 46:04) of Botswana.

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) together with the ethical requirements that are relevant to our audit of the consolidated and separate financial statements in Botswana, 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

Credit impairment for loans and advances to customers

Credit Impairment for loans and advances to customers
This key audit matter is applicable to both the consolidated and separate financial statements.

Please refer to **material accounting policy 6** on financial instruments, **note 21.1** relating to key management assumptions over credit impairment losses on loans and advances, **note 22.7** on credit impairment charges, **note 27** on loans and advances and, **note 45.3** on credit risk.

Key audit matter	How the matter was addressed in our audit
<p>The Group's and the Company's core business involves providing loans and advances to individuals and to the commercial and corporate sectors. Consequently, the main component of the Group's and Company's financial assets comprise loans and advances to customers which is significant to the total assets of the Group and Company.</p> <p>Expected credit losses (ECL) relating to loans and advances to customers amounting to P477 million for both Group and Company represent management's best estimate of the losses expected within the loans and advances portfolio.</p> <p>Management applies significant judgement in respect of the following:</p> <ul style="list-style-type: none"> • The estimation of the probability of 	<p>Our procedures included;</p> <ul style="list-style-type: none"> • We evaluated the professional qualifications, experience and objectivity of the experts engaged by management for the valuation of the collateral by inspecting their profiles and ensuring that they are registered with their regulator. • We evaluated the design and implementation, and tested operating effectiveness of relevant key controls implemented over: <ul style="list-style-type: none"> ○ management's oversight of credit models (the 'ECL models') and the approval of the inputs and assumptions used in the determination of the ECL by comparing the design and implementation to the market. ○ the loan origination by comparing to Know Your Customer (KYC) and credit



<p>Credit Impairment for loans and advances to customers This key audit matter is applicable to both the consolidated and separate financial statements.</p> <p>Please refer to material accounting policy 6 on financial instruments, note 21.1 relating to key management assumptions over credit impairment losses on loans and advances, note 22.7 on credit impairment charges, note 27 on loans and advances and, note 45.3 on credit risk.</p>	
Key audit matter	How the matter was addressed in our audit
<p>default (PD), exposure at default (EAD) and the loss given default (LGD).</p> <ul style="list-style-type: none"> • Evaluation of significant increase in credit risk (SICR) in accordance with IFRS 9 and as included in note 21.1; • Determination of macroeconomic inputs and forward looking information used in the SICR assessment and ECL measurement that includes the impact of inflation and GDP outlook and; • Evaluation of the ECL raised for stage 3 exposures on the timing of cash flows for discounting. <p>Due to the significance of the loans and advances to customers and the significant estimation uncertainty and judgment involved in determining the ECL, credit impairments for loans and advances to customers was considered to be a key audit matter.</p>	<p>review processes which includes monitoring and default management.</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the accounting policies and loan impairment methodologies applied in accordance with IFRS 9, Financial Instruments. • With the assistance of our credit risk specialists we: <ul style="list-style-type: none"> ○ assessed the ability of the ECL models to reflect the impact of forecasted inflation and GDP through appropriate calibration. ○ evaluated the reasonableness of the assumptions used in the ECL models relating to both the specific and portfolio impairments and evaluated the accuracy and completeness of the calculations of the ECL models as per below. • We assessed and challenged management's estimation of the PD, EAD, LGD, SICR, estimated macroeconomic inputs and forward looking information including the data inputs used by: <ul style="list-style-type: none"> ○ comparing inputs to the economic scenarios to those provided by the Bank of Botswana and those approved



<p>Credit Impairment for loans and advances to customers This key audit matter is applicable to both the consolidated and separate financial statements.</p> <p>Please refer to material accounting policy 6 on financial instruments, note 21.1 relating to key management assumptions over credit impairment losses on loans and advances, note 22.7 on credit impairment charges, note 27 on loans and advances and, note 45.3 on credit risk.</p>	
Key audit matter	How the matter was addressed in our audit
	<p>by the Asset and Liability Committee.</p> <ul style="list-style-type: none"> ○ recalculating the present value and timing of cashflows for a sample of collateral. ○ evaluating the staging of a sample of exposures by comparing a sample of items in each staging category to source documentation ○ reperforming credit reviews and assessing credit exposures in troubled sectors in order to evaluate the appropriateness of SICR and staging allocations performed by management. <ul style="list-style-type: none"> ● For a sample of stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. ● We assessed the adequacy of the disclosure made in the financial statements in accordance with IFRS 9, Financial Instruments and IFRS 7, Financial Instruments disclosure and credit risk.



Other information

The directors are responsible for the other information. The other information comprises the Chairman's report, Chief Executive's report, Chief Finance and Value Management Officer's report, Corporate governance report, Risk management and control, Corporate social investment report, and statement of Director's responsibilities but does not include the consolidated and 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 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, 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 International Accounting Standards Board (IFRS Accounting Standards) and in compliance with the requirements of the Banking Act (Cap 46:04) of Botswana, 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.

A handwritten signature in black ink that reads 'KPMG'.

KPMG
Firm of Certified Auditors
Practicing member: Gosego Motsamai (CAP 035 2024)

28 March 2024
Gaborone