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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 2024, 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, as set out on pages 20 to 139.

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 2024, 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 Botswana 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.

Expected credit losses on 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 policies 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
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 expected credit losses on 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 quantitative and economic specialists, additional audit effort and increased discussions with management during the course of the audit:	• Making use of our quantitative and economic specialists, 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. • We have tested the operating effectiveness of controls over the review and authorisation of loan settlement and account closure.

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Key audit matter	How the matter was addressed in our audit
Modelled ECL • A significant portion of the ECL is calculated on a modelled basis which 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 initial recognition. This assessment incorporates judgement and estimation by management.	• We tested the completeness and accuracy of data inputs into the models by agreeing a sample of data inputs back to information sourced by management from internal systems and external data providers. • We have evaluated the design and implementation of the controls relating 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. • Our quantitative and economic specialists 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.

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	• We independently reperformed and recalculated ECL estimates or benchmarked the model calculations for material portfolios based on the assumptions as per the model documentation, and independently reperformed the PD, EAD and LGD parameters, to test the assumptions and appropriateness of the judgement applied in the ECL calculations. • 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 balances have been compared to the Group's and Company's ECL balances per stage and per portfolio. • For all impacted portfolios, we considered historical post write-off recoveries to evaluate the

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<tr><td>Estimation and incorporation of multiple forward-looking macro-economic scenarios

• The macro-economic scenarios forecasts involve significant judgement and 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 estimation of ECL. The key macro-economic drivers include policy rates, consumer price index and real gross domestic product of credit risk.

• Management adjustments are applied to ECL model outputs where the existing models do not fully incorporate</td><td>reasonableness of the write-off definition and to determine whether the current write-off point is still the point at which there was no reasonable expectation of significant further recovery as per the requirements of IFRS 9.

• We have tested the design and implementation of controls over the approval of updated macro-economic forecasts and related ECL impacts.

• Our quantitative and economic specialists assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data.

• We have tested the design, implementation and operating effectiveness of controls over the application of the macro-economic</td></tr>
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macro-economic factors which impact on the ECL.	analytical models and sensitivity approaches adopted by management. • We performed independent ECL quantification analysis on economic forecasts, considering third party and our own data, to assess the reasonability of the macro-economic management adjustments. • We assessed management adjustments (MA's) by agreeing a sample of MAs to supporting documents, 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 understanding of the factors used based on independent data.

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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, in the wholesale portfolio which requires specific audit effort. Significant judgements, estimates and assumptions are applied by management to:	• Where there was 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 the inquiry with management was used to evaluate 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, 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 cash flows used in calculating ECL. We have performed the following for a sample of stage 3 exposures:

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- Determine if the financial asset is credit impaired;
- 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.
</td><td>

- For a sample of collateral, 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 specialists were used to value the collateral, we have assessed the competence and objectivity of those specialists.
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<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 on loans and advances to customers, including management adjustments and sensitivity analysis.</td><td>• We tested the design, implementation and operating effectiveness of controls over the credit risk financial reporting process and agreed the data inputs used in the financial reporting process to underlying workings.

• We evaluated whether the disclosures are consistent with the ECL information tested which included the ECL data, models, estimates, management adjustments and macro-economic forecasts.</td></tr>
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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 Botswana 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.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence, regarding the financial information of the entities or business units within the group, as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes 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.

Signed by:
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KPMG
Firm of Certified Auditors
Practicing Member: Adele Venter
Certified Auditor of Public Interest Entity
BAOA Certificate Number (CAP 0040 2025)

26 March 2025
Gaborone