

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 12 to 132, which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss, the consolidated and separate statements of 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 material 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 2024, and of its consolidated and separate financial performance and of its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board 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, 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. 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.



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Key Audit Matter	How the matter was addressed in the audit
<p>Credit Impairment (Consolidated and separate financial statements)</p> <p>At 31 December 2024 the Group and Company reported total expected credit loss provision of P183 million (2023: P212 million) on gross loans and advances to customers of P8.3 billion (2023: P8.8 billion), as disclosed in note 16 to the financial statements.</p> <p>Management's judgements and estimates are highly subjective as a result of the significant uncertainty associated with the estimation of expected future credit losses. Assumptions with increased complexity in respect of the timing and measurement of expected credit losses (ECL) include:</p> <ul style="list-style-type: none"> • Staging - the determination of what constitutes significant increase in credit risk and consequent timely allocation of qualifying assets to the appropriate stage in accordance with IFRS 9; • Model output and adjustments - Accounting interpretations, modelling assumptions and data used to develop, monitor and run the models that calculate the ECL, including the appropriateness, completeness and valuation of post-model adjustments applied to model output to address identified model deficiencies or risks not fully captured by the models; • Economic scenarios - Significant judgements involved in the determination of the appropriateness of economic variables, the future forecasting of these variables and the parameters used in both the base case forecast and the ECL models. The assessment of non-linearity produced by the ECL models, the benchmarking of the output to backstop discrete scenarios and the evaluation of the need for any Post Model adjustments; • Individually assessed ECL allowances - Measurement of individual provisions including the assessment of probability weighted recovery scenarios, exit strategies, collateral valuations, expected future cashflows and the timing of these cashflows. <p>In 2024, the most material factors impacting the ECL were in relation to the geopolitical uncertainty and slow economic growth.</p>	<p>We evaluated the design of controls relevant to the Group and Company's systems and processes over material ECL balances, involving EY specialists to assist us in performing our procedures where relevant. Based on our evaluation we selected the controls upon which we intended to rely and tested those for operating effectiveness.</p> <p>We performed an overall stand-back assessment of the ECL allowance in total and by stage to determine if the ECL was reasonable. We considered the overall credit quality of the Group and Company's portfolios and risk profile.</p> <p>Staging - We evaluated the criteria used to determine significant increase in credit risk including quantitative backstops with the resultant allocation of financial assets to stage 1, 2 or 3 in accordance with IFRS 9.</p> <p>We reperformed the staging distribution for a sample of financial assets and assessed the reasonableness of staging downgrades applied by management. We assessed the appropriateness of changes to the staging criteria.</p> <p>To test the completeness of the identification of significant increase in credit risk, we challenged the credit risk ratings (including appropriate operation of quantitative backstops) for a sample of performing accounts and other accounts exhibiting risk characteristics such as financial difficulty, deferment of payment, late payment and heightened risk accounts appearing on the watchlist.</p> <p>Modelled output and adjustments - With the support of our EY credit risk modelling specialists, we performed a risk assessment on models involved in the ECL calculation using EY independently determined quantitative and qualitative criteria and used this risk rating as a basis to select a sample of models to test. Based on this risk assessment, we evaluated a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design, model implementation and validation, sensitivity testing and recalculating the Probability of Default, Loss Given Default and Exposure at Default parameters.</p> <p>Together with our modelling specialists, we also assessed material post-model adjustments that were applied as a response to risks not fully captured by the</p>



EY

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Overall, in line with the prior year the level of judgement and estimation remains elevated as a result of the factors above and consequently the risk of a material misstatement to the ECL remained consistent with that of the prior year.

The disclosure associated with credit impairment of loans and advances is set out in the financial statements in the following notes:

- ▶ Note 1 - Accounting policies
- ▶ Note 3 - Financial risk management and capital review
- ▶ Note 9 - Credit impairment
- ▶ Note 16 - Loans and advances to banks and customers

models or for known model deficiencies.

This included the completeness and appropriateness of these adjustments.

We did not rely on controls over model monitoring and therefore adopted a substantive approach comprising reperformance of model monitoring procedures for models classified as significant or higher risk in accordance with our EY independent risk assessment.

In response to the Bank's model simplification program that resulted in a number of low risk or immaterial models moving to a loss rate approach, we challenged whether there was a need for an overlay as a result of the models no longer including a forward looking element as required by IFRS 9.

To evaluate data quality, we performed sample testing over the completeness and accuracy of key data elements assessed to be material to the modelled ECL output, back to source evidence.

Economic scenarios - In collaboration with our economists, we challenged the completeness and appropriateness of the macroeconomic variables used as inputs to the ECL models.

Additionally, we involved our economic specialists to assist us in evaluating the reasonableness of the base forecast for a sample of macroeconomic variables most relevant for the Group and Company's ECL calculation. Procedures performed included benchmarking the forecast for a sample of macroeconomic variables to peers, historical data and a variety of global external sources.

We assessed the reasonableness of the non-linearity impact on ECL allowances. We engaged our economists, to assess and challenge the Group and Company's choice of discrete scenarios to benchmark the output from the ECL model and determine the sensitivity analysis of the ECL.

This challenge included the choice of narrative scenarios and the weights applied to each scenario. We also performed a stand-back assessment by benchmarking the uplift and overall ECL charge and provision coverage to peers.

Individually assessed ECL allowances - We selected a sample of individually assessed provisions to recalculate. Our recalculation procedures included challenging management's forward looking economic assumptions of the recovery outcomes identified, cashflow profiles and timings and the individual

	<p>probability weightings used for each scenario.</p> <p>We also engaged our valuation specialists to test the value of the collateral used in management’s calculations on a sample basis.</p> <p>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 <i>IFRS 9- Financial Instruments</i>.</p>
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Other Information

Other information consists of the information included in the 132-page document titled “Standard Chartered Bank Botswana Limited Consolidated and Separate Audited Financial Statements for the year ended 31 December 2024”, which includes the Statement of Directors' Responsibilities and the Directors’ Report as required by the Companies Act (CAP42:01) 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. Other information does not include the consolidated or the separate financial statements and our auditor's report thereon. The directors are responsible for the other information.

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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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 of the Group 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 Company to cease to continue as a going concern.



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- 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
Firm of Certified Auditors
Practicing Member: Thomas Chitambo (CAP 0011 2025)
Gaborone

28 March 2025