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Independent Auditor's Report

To the Shareholders of First National Bank of Botswana Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of First National Bank of Botswana Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 12 to 108 which comprise the Group and Company's statements of financial position as at 30 June 2025, and the Group and Company's income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting information.

In our opinion, the Group and Company's financial statements give a true and fair view of the consolidated and separate financial position of the Group and Company as at 30 June 2025, and of its consolidated and separate financial performance and 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 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 (IESBA Code) and other independence requirements applicable to performing the audit of the Group and the Company and in Botswana. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing the audit of the Group and Company and 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 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
Expected credit losses on advances to customers	
Significant macroeconomic uncertainty persists in the environment in which the Group operates. Consequently, management has continued to exercise judgement to ensure that the final Expected Credit Loss (ECL) is aligned to the requirements of International Financial Reporting Standard 9 – Financial Instruments (IFRS 9) and industry developments. This judgement includes the setting of macroeconomic scenarios and associated probabilities, as well as the forecasting of macroeconomic variables under the set scenarios. Impairment of advances is a matter of most significance to our current year audit due to the following: • Advances are material to the consolidated and separate financial statements. • The level of subjective judgement applied in determining the ECL on advances. • Event-driven uncertainty and its impact on the assessment of ECL. The Group's advances fall into three broad customer segments for which significant auditor attention was required: • Retail; • Commercial; and • Corporate The credit impairment models, which outline the Group's macroeconomic forecasting principles, are subject to formal governance and approval processes. <u>Retail and commercial advances</u> Retail and commercial advances are higher in volume and lower in value and, therefore, a significant portion of credit impairments are calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always observable. The areas of significant judgment and estimation uncertainty relating to the retail and commercial advances customer segment include: **Determination of input assumptions applied to estimate PD, EAD and LGD within the ECL measurement** • The input, assumptions and methodologies applied to estimate the Probability of	Our audit of expected credit loss (ECL) of advances to customers included the following procedures to address the key areas of significant judgement and estimation uncertainty in determining the ECL. We performed these procedures with the assistance of our economic and credit specialists: • Across all significant portfolios, assessed the advances impairment policies and practice applied by inspecting the Group's policies and comparing them against the requirement of IFRS 9. • Assessed the Group's probability-weighted macroeconomic scenario estimates and evaluated the methodology, scenario view and associated probabilities against the principles of IFRS 9. • Assessed the forecasts for appropriateness against the Group's macroeconomic forecasts against the principles of IFRS 9 by reviewing the approval of these macroeconomic variables by the appropriate governance structures through discussions with management, inspecting documentation and comparing to our own benchmarked economic forecasts and independent market data. <u>Retail and commercial advances</u> We performed the following procedures on the ECL for all material retail and commercial advances portfolios with the assistance of our economics and credit specialists: **Determination of input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement:** • Obtained an understanding of the inputs, methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) through inspection and inquiry, and assessed these against the requirements of IFRS 9. • Assessed the accurate implementation of the documented methodologies as well as the appropriateness of assumptions made by management in applying the macroeconomic inputs, EADs, PDs, LGDs and valuation of collateral in the current economic climate against recent actual experience and the modelled outcomes per our own independent model. • Assessed the appropriateness of the component inputs used by management by independently recalculating the ECL, applying our own independent assessment and comparing our independent results to management's results.

Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). **Evaluation of SICR:** • The evaluation of whether there has been a Significant Increase in Credit Risk (SICR) event since origination date of the exposure to the reporting date (i.e. a trigger event that caused a significant deterioration in credit risk results in migration of the loan from Stage 1 to Stage 2). **Incorporation of macro-economic inputs and FLI into the ECL measurement:** • The incorporation of unbiased probability weighted forward-looking information (FLI) and consideration of the appropriate macroeconomic inputs into the ECL calculation. **Assessment of post model adjustments** • Assessing the appropriateness and impact of the macroeconomic uncertainty assumptions on the forward-looking economic information not incorporated into the respective models but rather in post model adjustments. • Assessing the completeness of the post model adjustments. <u>Corporate advances</u> The ECL on corporate advances customer segment is dealt with on a case-to-case basis unlike retail and commercial advances. This also requires the use of statistical models incorporating data and assumptions which are not always observable. The area of significant judgement and estimation uncertainty relating to the corporate advances customer segment include: **Determination of input assumptions applied to estimate PD, EAD and LGD within the ECL measurement:** • The input, assumptions and methodologies applied to estimate the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). **Evaluation of SICR:** • The evaluation of whether there has been a Significant Increase in Credit Risk (SICR) event since origination date of the exposure to the reporting date (i.e. a trigger event that caused a significant deterioration in credit risk results in migration of the loan from Stage 1 to Stage 2).	**Evaluation of SICR:** • Evaluated the appropriateness of the SICR triggers adopted by management and tested whether these were correctly and consistently applied in the models by performing an independent SICR efficacy assessment to confirm the appropriateness of the implemented PD thresholds and that the required SICR adjustment has been recognised. **Incorporation of macro-economic inputs and FLI into the ECL measurement:** • Assessed the application of forward-looking information (FLI) in the ECL calculation by building our own independent model which incorporated the probability-weighted FLI information and included a selection of relevant independently sourced macro-economic variables such as Gross Domestic Product (GDP) and the central bank rates, and assessed whether these variables were appropriate indicators of future losses by benchmarking these against external evidence and stress testing the assumptions used. • Performed an independent FLI assessment at an industry level to evaluate whether the recent experience and economic outlook per industry were appropriately incorporated. • Assessed the Group's probability-weighted macroeconomic scenario reports and compared the outlined methodology, scenario views and associated probabilities against the principles of IFRS 9. **Assessment of post model adjustments:** • Performed industry analysis and assessed individual counterparties using publicly available information to evaluate the appropriateness of the macroeconomic assumptions applied in the post-model adjustments recognised. • Assessed the inherent limitations of the ECL models within the banking portfolios, including the limitation of past performance, emerging industry risks which are not yet present in the current data, macroeconomic forecast challenges and sectoral stresses, by benchmarking against our own economic forecasts and building our own independent model which incorporates our own point estimates and inputs. • Assessed the completeness of the post model adjustments against our own research and publicly available information including country, sector and portfolio specific risk factors. <u>Corporate advances</u> We performed the following procedures on the ECL for all material corporate advances with the assistance of our economic and credit specialists: **Determination of input assumptions applied to estimate the PD, EAD and LGD within the ECL measurement:** • Obtained an understanding of the inputs, methodologies and assumptions used by management in the various ECL model components (PD, EAD, LGD) through inspection and

Incorporation of macro-economic inputs and FLI into the ECL measurement: • Assessing the appropriateness and impact of probability-weighted macroeconomic uncertainty on the forward-looking economic information incorporated into the respective models. **Assessment of ECL raised for stage 3 exposures:** • Assumptions used to estimate the realisable values and timing of future cashflows of individual exposures, which have been classified as non-performing. The related disclosures associated with the key audit matter are set out in the consolidated and separate financial statements in the following notes: • Note 1.4 - Accounting policy for financial instruments • Note 1.8 - Significant judgements and sources of estimation uncertainty • Note 13 - Advances to customers • Note 15 - Impairment of advances • Note 40 - Financial risk management	inquiry and assessed these against the requirements of IFRS 9. • Assessed the accurate implementation of the documented methodologies as well as the appropriateness of assumptions made by management in applying the macroeconomic inputs, credit risk grades, EADs, PDs, LGDs and valuation of collateral in the current economic climate against recent actual experience and the modelled outcomes per our own independent model. • Assessed the appropriateness of the component inputs used by management by independently recalculating the ECL applying our own independent assessment and comparing our independent results to management's results. **Evaluation of SICR:** • Selected a sample of performing advances and assessed if the application of the SICR trigger was reasonable by forming an independent view based on publicly available information and management's periodic credit reviews. **Incorporation of macro-economic inputs and FLI into the ECL measurement:** • Assessed the application of forward-looking information (FLI) in the ECL calculation by building our own independent model which incorporated the probability-weighted FLI information and included a selection of relevant independently sourced macro-economic variables such as Gross Domestic Product (GDP) and the central bank rates, and assessed whether these variables were appropriate indicators of future losses by benchmarking these against external evidence and stress testing the assumptions used. • Performed an independent FLI assessment at an industry level to evaluate whether the recent experience and economic outlook per industry were appropriately incorporated. • Assessed the Group's probability-weighted macroeconomic scenario reports and compared the outlined methodology, scenario views and associated probabilities against the principles of IFRS 9. **Assessment of ECL raised for Stage 3 exposures:** Assessed the Stage 3 LGD, EAD and PD assumptions used by management by inspecting the methodology used for providing for non-performing loans and comparing these against the requirements of IFRS 9. We assessed the adequacy and completeness of the financial statement disclosures included in the Group and Company's financial statements relating to the expected credit losses on advances per the above-mentioned notes to determine compliance with IFRS 9.

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Other Information

The directors are responsible for the other information. The other information comprises the information included in the 108-page document titled "First National Bank of Botswana Limited (Registration number BW00000790476) Consolidated and Separate Financial Statements for the year ended 30 June 2025" which includes the Report of the Audit Committee, Directors' Responsibility Statement, Directors' Report and Note 28 on page 75 of the consolidated and separate financial statements obtained prior to the date of this 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 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 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 the 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, and the requirements of 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 and/or the 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 and the 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 the 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 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

Ernst & Young
Practicing member: Francois Roos (Partner)
Certified Auditor
Membership number: CAP 0013 2025
Gaborone

09 September 2025