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Independent Auditor's Report

To the Shareholders of Absa Bank Botswana Limited (formerly Barclays Bank of Botswana Limited)

Opinion

We have audited the consolidated financial statements of Absa Bank Botswana Limited (formerly Barclays Bank of Botswana Limited) (the Group), set out on pages 14 to 124, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, summary of accounting policies and notes to the consolidated financial statements.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Absa Bank Botswana Limited as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The impact of uncertainties due to the Covid-19 on our audit

As disclosed in note 57 to the financial statements, Covid-19 affects the Group and results in certain uncertainties for the future financial position and performance of the Group. Uncertainties related to the potential effects of Covid-19 are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the Group, the related disclosures and the appropriateness of the going concern assumption in the financial statements. The appropriateness of the going concern assumption depends on assessment of the future economic environment and the Group's future prospects and performance. The Covid-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to levels of uncertainty. An audit cannot predict the unknowable factors or all possible future implications for a Group and this is particularly the case in relation to Covid 19.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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</td></tr>
<tr><td colspan="2">Refer to the following notes in the consolidated financial statements:
› Note 2.17.3 – Significant accounting policies - Expected credit losses of financial assets
› Note 3 – Judgements and estimates - Expected credit losses of financial assets
› Note 22 – Loans and advances to customers
› Note 49.7 – Credit risk</td></tr>
<tr><td>Key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The Group's gross loans and advances to customers amount to BWP13.9 billion as at 31 December 2019 with an allowance for impairment of BWP518 million recognised at 31 December 2019.

The measurement of impairment using the expected credit loss ("ECL") model requires</td><td>Our procedures included the following:

• We obtained an understanding of management's process over credit origination, credit monitoring and credit remediation and tested the design, implementation and operating effectiveness of the related controls.</td></tr>
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management to exercise significant judgements. Management applies significant judgment in the evaluation of significant increase in credit risk (SICR), the determination of estimated future cash flows, probability of default (PD), loss given default (LGD), estimation of exposure at default (EAD) and forward-looking economic expectations. The impairment allowance is considered on an individual (specific) and portfolio (collective) basis. **Retail portfolio (collective impairment basis)** A significant portion of the retail impairment is calculated on a collective basis. In calculating the impairment allowance for the retail portfolio, statistical models are used. The following inputs to these models require significant management judgement: - the probability of default (PD); - the exposure at default (EAD); - the loss given default (LGD). **Wholesale and corporate portfolios (specific impairment basis)** A significant proportion of wholesale and corporate loans are assessed for recoverability on an individual basis. Significant judgements, estimates and assumptions have been made by management to: - Determine if the loan or advance is credit impaired; - Evaluate the adequacy and recoverability of collateral; - Determine the expected cash flows to be collected; and	• We assessed the appropriateness of the accounting policies and loan impairment methodologies applied by comparing these to the requirements of IFRS 9, *Financial Instruments* (IFRS 9). • We evaluated the adequacy of the financial statement disclosures, including disclosures of key assumptions, judgements and sensitivities, in accordance with IFRS 9. Where credit losses were calculated on a modelled basis, we performed the following audit procedures, in conjunction with our internal credit risk specialists: - Tested the controls over the completeness and accuracy of the data that forms as an input into the impairment model through observation, with assistance from our information risk management specialists, of the extraction of data from the relevant systems. - Critically assessed the ECL models developed by management for reasonableness. This included using our credit risk specialists in our assessment of key judgements and assumptions applied in the calculation of portfolio ECLs. Our credit risk specialists re-performed model calculations to confirm the appropriateness of the risk parameter inputs applied. - Assessed the reasonableness of forward-looking information incorporated into the credit loss calculations considering multiple economic scenarios selected and the weighting applied to each scenario.

- Estimate the timing of the future cash flows. Due to the significance of loans and advances to customers and the significant estimates and judgement involved, the impairment of these loans and advances was considered to be a key audit matter.	- Challenged the parameters and significant assumptions applied in the calculation models by evaluating the data used by management, which included SICR and benchmarking against current macro-economic factors. - Assessed the appropriateness of management's adjustments made in light of recent economic events and circumstances and other factors that might not yet be fully reflected in the modelled results by independently assessing the reasonability of the assumptions and judgements made by management based on our experience and industry trends. **Retail portfolio (collective impairment basis)** Where impairments had been made on a portfolio basis, our internal credit risk specialists performed the following procedures: • Re- performed the calculation of the ECL using independent inputs. • Performed an independent ECL estimate based on the input parameters using a challenger model and compared the ECL output to the Group's ECL. **Wholesale and corporate portfolios (Specific impairment basis)**

	Where impairments had been performed on an individual basis, our procedures included: • We challenged the credit losses recognised for a sample of loans and advances, by developing our own expectation of the amount of the expected credit losses and compared to management's calculation. • Where specific (stage 3) credit losses have been recognised, we considered the impairment indicators, uncertainties and assumptions applied by management. In addition, we considered management's assessment of the recoverability of the exposure and supporting collateral with reference to current economic performance, assumptions most commonly used in the industry, and comparison with external evidence and historical trends. • Inspected a sample of legal agreements and supporting documentation to confirm the existence and legal right to collateral. • We assessed collateral valuation techniques applied against Group policy and industry standards.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' responsibilities and approval, the Corporate Governance report and the Directors' report, 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 financial statements and our auditor’s report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated 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 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 Financial Statements

The directors are responsible for the preparation of the consolidated financial statements which give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the group’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 to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 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 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'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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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 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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

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Certified Auditors
Practicing member: AG Devlin 19960060
30 March 2020
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