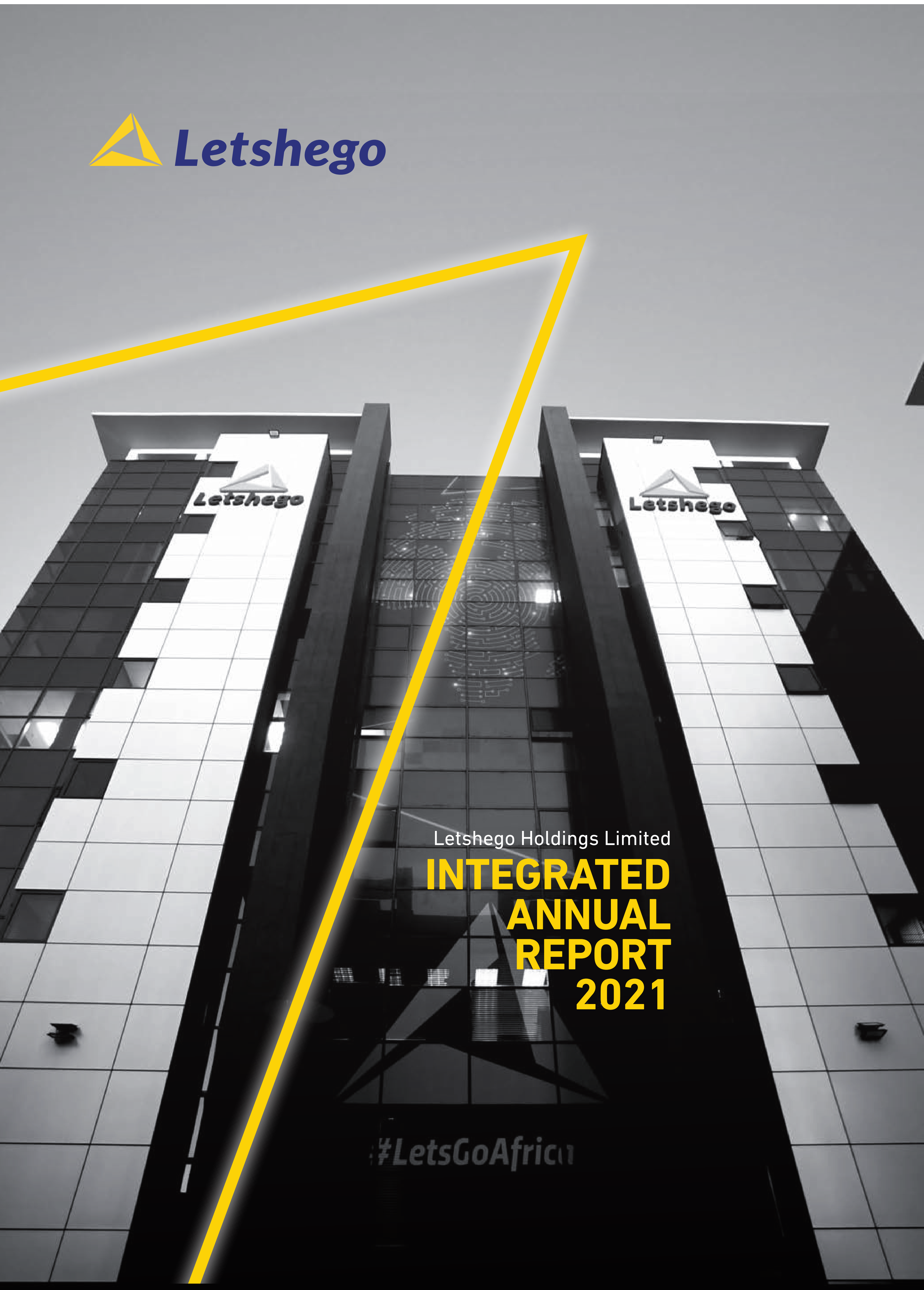
Letshego



Letshego Holdings Limited

INTEGRATED ANNUAL REPORT 2021

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letshegoinvestor.com

About our integrated report

This is the year-end report of Letshego Holdings Limited ('Letshego' or 'the Group') to its stakeholders. It is intended to give a balanced and accurate assessment of the Group's performance in the financial year under review, namely 1 January 2021 to 31 December 2021. Letshego was incorporated in the Republic of Botswana in March 1998, and publicly listed on the Botswana Stock Exchange in 2002.

WHO IS THIS REPORT FOR?

The content of this report is relevant to all our stakeholders, including our investors, staff, customers, funders, strategic partners, governments, regulators, and the members of the communities in which we operate.

WHAT IS OUR REPORTING BOUNDARY AND SCOPE?

The report covers the performance of Letshego and all of its operating companies in Botswana, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Eswatini, Tanzania and Uganda for the financial year ending 31 December 2021. Where applicable and relevant, information subsequent to this date has been included.

Letshego applies principles of stakeholder inclusiveness, sustainability, materiality, and completeness when assessing which information to include in the Integrated Annual Report. The Group also applies the principles of accuracy, balance, clarity, comparability, reliability, and timeliness when assessing information for this report.

WHAT ARE OUR REPORTING PRINCIPLES AND FRAMEWORKS?

The standards used in Letshego's Integrated Annual Report align with global protocols. They also reflect key risks and opportunities and show how these factors affect our strategy, financial and non-financial performance, and the impact we have on the markets in which we operate. We have endeavoured to provide a concise, balanced, and transparent commentary on the progress we have made during the year on our strategy, performance, operations, governance, and reporting. In preparing this report, Letshego followed the Botswana Stock Exchange (BSE) Listing Requirements, the principles of the International Integrated Reporting Framework (IIRC), and the King Code of Governance Principles for South Africa (King IV). In addition, Letshego also strives to adhere to the Global Reporting Initiative (GRI) Standards and has produced this report in accordance with the 'core' level of the GRI.

A NOTE ON DISCLOSURES

Letshego Holdings Limited affirms the following terms with respect to its integrated reporting strategy:

- Non-disclosure of confidential data such as granular data on remuneration, yields and margins, where the information is deemed to be competitively sensitive
- Infographics are used to report various metrics, while retaining proprietary information
- Any official and direct enquiries are encouraged in relation to any aspect of the company's competitively sensitive operations that may not have been publicly disclosed
- All monetary figures used in the report are in Botswana Pula (P) unless indicated otherwise.

WHAT ABOUT MATERIALITY?

Letshego considers as material, those matters, opportunities and challenges that are likely to affect the delivery of our strategic intent and ability to create value in the short, medium, and long term for relevant stakeholders. Letshego applies integrated thinking and a pragmatic approach in defining material matters, which forms an integral part of our strategic planning activities. Our determination of materiality has culminated in five strategic transformational conversations namely diversification, digital transformation, geographic rebalancing, enterprise agility and sustainable shareholder value.

FORWARD-LOOKING STATEMENTS

are based on beliefs and assumptions relative to information currently available to Letshego's management. There can be no assurance that such statements will be accurate and actual results and future events could differ materially from those anticipated in such statements.

For purposes of this report, the words 'believe', 'anticipate', 'estimate', 'expect', 'intend' and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to certain risks, uncertainties and assumptions. These risks include, but are not limited to, general market conditions, our ability to manage growth, performance and changes in the regulatory environment, among others.

Letshego undertakes no obligation to update forward-looking statements to reflect subsequently occurring events or circumstances or to reflect unanticipated events or developments.

RESTATEMENTS OR CHANGES FROM THE PRIOR PERIOD

There have been no restatements made to previously reported figures referenced in this report.

HOW DO WE ACHIEVE ASSURANCE?

An independent audit of the Group's annual financial statements was performed by Ernst & Young. Group Internal Audit (GIA) provides independent and objective assurance to the Group Audit Committee in accordance with the internal audit standards set by the Institute of Internal Auditors (IIA) and in line with GIA's audit methodology.

WHO APPROVES THIS REPORT?

The Board and its subcommittees acknowledge their responsibility for overseeing the integrity and completeness of the financial statements. Furthermore, it has appropriately considered the accuracy and completeness of the material matters as well as the reliability of all data and information presented in this report. As such, the Board has fulfilled its responsibilities in terms of the recommendations of the King IV™ Code on Corporate Governance.

MR ENOS BANDA
Group Chairman

Find this report online

This Integrated Annual Report and Letshego's previous reports are available for download from our website at

letshegoinvestor.com

Feedback on this report

We welcome your feedback on this report. Please email your comments to the Group's Company Secretary on

GroupCompanySecretary@letshego.com

ESSENTIAL UPFRONT TERMINOLOGY

Deduction at Source (DAS): Unsecured personal loans issued to civil servants and other employees under a payroll deduction scheme implemented by a participating (government) employer.

Programmatic lending: Affordable loans designed to drive social transformation and impact by increasing access to housing, education, health and green technology on an inclusive basis.

Agile: Agile is a way of working and iterative approach that enables teams to deliver work in small, workable increments, thus increasing the frequency of tangible outputs, efficiencies in execution as well as enabling the company to deliver value to their customers with ease.

Zero Ops: Automating traditional tasks or supporting these through a self-service portal to drive down manual actions or interventions to zero.

Straight Through Processing: Automating process supply chains to facilitate seamless, fully integrated execution to enable quicker turnarounds and greater accuracy in delivery and execution, minimising manual intervention.

2021 value creation highlights

STRONG FINANCIAL PERFORMANCE

NET INTEREST INCOME UP

6% to

P1.979 billion

(FY2020: P1.861 billion)

PROFIT BEFORE TAX UP

11% to

P1.15 billion

(FY2020: P1.03 billion)

TOTAL ASSETS INCREASED BY

31% year-on-year to

P16.1billion

(FY2020: P12.2 billion)

NET ADVANCES UP

17% to

P11.9 billion

(FY2020: P10.2 billion)

CUSTOMER DEPOSITS INCREASED BY

77% year-on-year to

P1.2 billion

(FY2020: P664 million)

COST TO INCOME RATIO OF

52%

(FY2020: 50%), in line with expectation due to heightened digital investment and insurance costs in Namibia

EFFECTIVE TAX RATE (ETR) IMPROVED TO

36%

(FY2020: 39%)

RETURN ON EQUITY (ROE) INCREASED TO

14%

(FY2021: 13%)

AND RETURN ON ASSETS WAS MAINTAINED AT

5%

(FY2020: 5%)

CAPITALISATION RATIO AT

31%

(FY2020: 35%)

reflect that the Group remains well capitalised alongside strong asset growth

DEBT TO EQUITY INCREASED TO

149%

in line with gearing ratio guidelines

(FY2020: 118%)

NON-FUNDED INCOME INCREASED BY

30% year-on-year to

P368 million

and grew to constitute 16% of Operating Income

(FY2020: P284 million, 13% of Operating Income)

EARNINGS PER SHARE IMPROVED BY

16% at

31.5 thebe

(FY2020: 27.1 thebe)

ACCELERATING DIGITALISATION

DIGITAL MALL LIVE IN
10 markets

78%
OF DAS CUSTOMERS ARE NOW ACTIVE ACROSS VARIOUS DIGITAL CHANNELS

Core DAS +
PRODUCT DIGITALISED

DIGITAL ACCOUNT LAUNCHED IN
2 markets

5 new 'LetsGo Insure'
LONG AND SHORT TERM INSURANCE PRODUCTS LAUNCHED

440%
ENTERPRISE ACTIVE CUSTOMERS GROWTH TREND*

** As at 1 April 2022*

LIVING OUR PURPOSE

PROGRAMMATIC LENDING SOLUTIONS:
Affordable Housing launched

GREEN LENDING:
Green Affordable Housing Developing

Ecofridges Go initiative

SOCIAL IMPACT SURVEYS:
Conducted in 11 countries, with 2 262 customers interviewed in 14 languages

PEOPLE-FIRST EMPOWERMENT INITIATIVES:
Launch of the LetsGo Digital Mastery programme

UPSKILLING EMPLOYEES:
45 423 learning hours logged during the year, averaging 26 hours per employee

We are building a #LetsGoNation to facilitate regional collaboration in entrepreneurship, skills development and learning to support Africa's long term economic development

Letshego Digital Mall

LetsGo

In 2021, Letshego rolled out the LetsGo Digital Mall, an online platform that enables easy access for customers to solutions, support and holistic services, across multiple digital channels, including web, USSD, WhatsApp and mobile.

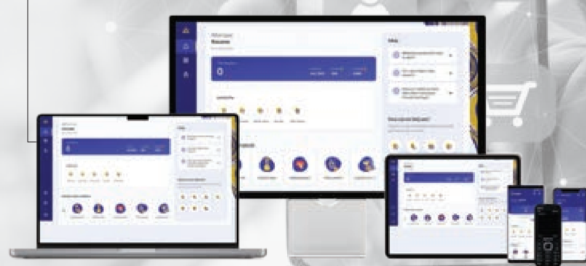
Letshego's LetsGo Digital Mall is a virtual, world class financial services platform connecting the digital and physical worlds, created to improve lives through easy access to a wide range of socially impactful services and solutions, micropayment and savings solutions, affordable and eco-friendly housing, education, family insurance as well as productive and green lending options.

Customers can easily download the digital platform app and register at no cost. All Letshego's solutions are available in the LetsGo Mall, including LetsGo Borrow, LetsGo Insure, LetsGo Pay, LetsGo Save and LetsGo Lifestyle. The LetsGo Digital Mall offers simplicity, affordability and inclusivity across multiple secure channels.

With simple digital financial and 'beyond financial services' solutions that are tailored to support life goals and help improve the lives of our customers, Letshego resolutely focused on changing the landscape of inclusive financial services in Africa.

LetsGo Digital Mall

APP	WHATSAPP
WEB	USSD



THE FUTURE IS HERE – POWERED BY LETSHEGO'S LETSGO DIGITAL MALL.

With a phased rollout of increasing depth in capability, access and products, 'LetsGo', a brand powered by Letshego, is set to catapult Letshego towards its vision of becoming a world-class retail financial institution that improves the lives of customers across sub-Saharan Africa.

The LetsGo Digital Mall is not just a virtual platform, it's an opportunity. The Mall is anchored by robotic process automation using 'bots' to support end-to-end processing and system integration, across geographies and divisions, thus ensuring transactions remain secure and seamless. The Mall enables Letshego to deliver real-time efficiencies, security and transactional accuracy. Visitors can navigate through the Mall's high security corridors and have access to financial as well as API driven 'beyond financial' services.

The LetsGo Digital Mall is now live in 10 markets anchoring Letshego's interconnected regional community known as the #LetsGoNation. The LetsGo Digital Mall will be a place to celebrate Africa's uniqueness while supporting green products and solutions that not only protect our environment, but also our people. The vision is to create a marketplace where our small and micro entrepreneurs trade, acquire and sell products. With LetsGo Digital Mall, Letshego is creating an ecosystem of community connectivity, matching the right suppliers with the right demand in a secure environment. LetsGo goes beyond financial services, it brings African citizens with common interests and opinions together, for collective gain and productive development.

This is a Mall for our continent – the #LetsGoNation.

OUR DIGITAL MALL IS LIVE IN 10 LETSHEGO MARKETS

Source: Go To Market Application Registration Database (as at 1 April 2022)

Transformation

Enterprise Active Customers

1 Ghana
2 Nigeria
3 Uganda
4 Kenya
5 Tanzania
6 Mozambique
7 Namibia
8 Botswana
9 Eswatini
10 Lesotho

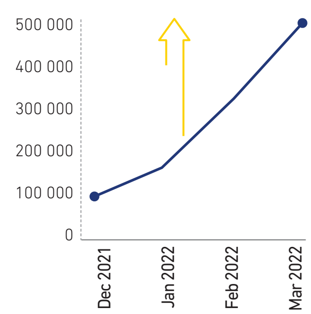
Enterprise Value

Enterprise Active Customers Growth Rate

440%

EAC GROWTH IN THE FIRST QUARTER OF 2022

EAC GROWTH TRENDS



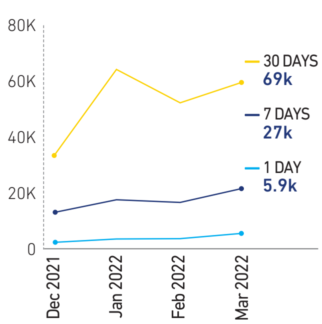
Business

Users Accessing Mall

83%

GROWTH IN ACTIVE USAGE (30 DAYS)

USER ACTIVITY OVER TIME

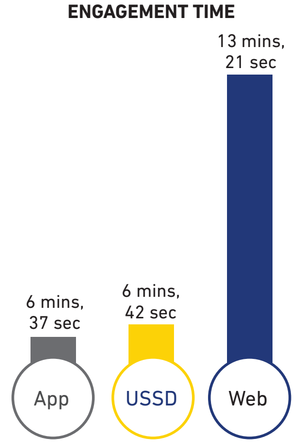


Customer Experience

Sub-10-minute loan

6 mins

ENGAGEMENT TIME

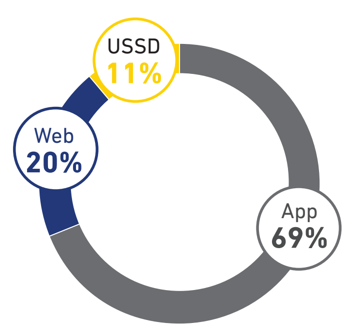


Ease of Access

How Users are accessing the Mall

Channel usage

USER PREFERENCE



Source: Firebase Google Analytics (31 March 2022)

Reflections from our

GROUP CHAIRMAN

Letshego achieved double digit growth in profits in 2021, continuing a healthy trend of delivering strong results. This last financial year's performance indicates the resilience of our business model during a period of transition, and I take this opportunity to reflect on the transformational journey the Group has navigated with resilience, agility and stamina over the past two years.

Mr Enos Banda

I WHOLEHEARTEDLY CONGRATULATE OUR EXECUTIVE MANAGEMENT AND REGIONAL TEAMS FOR HAVING ACHIEVED SUCH A RAPID TRANSFORMATION IN THE SPACE OF JUST OVER TWO YEARS.

AN ASTOUNDING JOURNEY OF TRANSFORMATION

By 2019, Letshego had become well known as a microfinance institution, with the core function of providing Government Deduction at Source (DAS) loans. Although this service had differentiated our offering for over two decades, Africa was fast approaching a technological revolution that could create new ways of bringing services and solutions to our evolving regional markets. Our Board of Directors acknowledged that Letshego was behind in the tech advances that were sweeping through global and regional financial sectors. We therefore commenced a fundamental realignment of Letshego's strategy and condensed the Group's strategic imperatives into five conversations, namely: Product Diversification; Digital Transformation; Geographic Rebalancing; Enterprise Agility and Sustainable Shareholder Value. This new Transformation Strategy, announced on 1 September 2020, was underpinned by an ambitious 6-2-5 execution roadmap that aligned to the Group's short and medium term aspirations. The objective of Letshego's strategic transformation is to embed sustainable financial performance, invigorate our delivery in customer value and ensure we restore robust returns to our valued shareholders and investor partners over the long term.

Over the past two years, Letshego has seen a notable shift towards digitalisation, embedding an Agile culture, and enhancing enterprise risk frameworks. The Group is already starting to develop a foundation for 'eco-systems', expanding multi-tier partnerships and digital hubs, all while upskilling and empowering employees and customers with world-class, digital skills that support sustainable financial inclusion and digital-savvy economies. Adoption of alternate digital channels by customers is well ahead of expectations.

We are making strong progress in transforming our organisation into an entity that leverages digital and end-to-end automation to unlock significant enterprise value, not only for our customers, but also for our investors and shareholders. Although the strides we have made in this journey have been inspiring, we are not done. Letshego is still on the march and on track to achieve its 2025 targets, which will deliver a marked change in growth, impact and value.

OPERATING ENVIRONMENT

Letshego's pleasing performance during a time of unprecedented transformation takes on an even greater significance against the ongoing backdrop of the COVID-19 pandemic. Waves of COVID, including the Delta and Omicron variants, continued to impact our regional markets and are likely to influence the economic environment through 2022. The good news is that output in many countries saw a gradual return during the course of 2021 after the sharp decline of 2020, while domestic financial crises and foreign debt restructuring has been less frequent than expected in a time of severe global shocks. However, after rebounding by an estimated 5.5% in 2021, global growth is expected to decelerate markedly to 4.1% in 2022. While output and investment in advanced economies are projected to return to pre-pandemic trends in 2023, emerging markets and developing economies may lag markedly behind.

The resurgence of COVID-19 infections around the world accentuated the uneven nature of economic recovery initially noted in the 2020 period, a trend referred to as the 'K-curve'. Although infections in Africa were low relative to the rest of the world, restrictions on economic activity were widely implemented across the continent, and the impact on our regional economies is still evident. In addition to the pandemic-related economic downturn, a fall in commodity prices and oil production cuts impacted negatively on many economies. Rising public debt, inflationary pressure and growing geopolitical tensions contributed to a challenging operating environment.

However, despite ongoing headwinds related to the pandemic, the Letshego Group has shown strong business resilience. From the outset of the pandemic, Letshego has reiterated its commitment to prioritising the health and wellbeing of our customers and people, while maintaining business continuity through the launch and enhancement of digital access channels and systems, all while tempering risk appetite to accommodate current business conditions.

LEGAL AND REGULATORY COMPLIANCE ENVIRONMENT

During 2021 we appointed a Group Chief Compliance Advisor to lead the Group's compliance transformation across all our countries of operation, enhancing financial governance in Anti-Money Laundering (AML), financial compliance skills, training and awareness. We have also taken steps to empower our people to appreciate the value of supporting business growth while always maintaining our commitment to the strictest levels of regulation and compliance. Most regulators enforced AML legislation during 2021, with certain markets undergoing AML regulatory reviews. Cybercrime legislation was introduced in some of our markets, partly due to the impact of COVID-19. In most instances, this was accompanied by privacy and data protection legislation.

In line with the same focus of continuously enhancing our levels of governance, Letshego concluded the appointment of a specialist tax team to ensure our long-standing commitment to shareholders to optimise our tax rate. Success in our focus on tax efficiencies is already generating positive returns in the downward trend of the Group's effective tax rate in 2021.

ETHICS, LEADERSHIP AND CORPORATE GOVERNANCE

While the Group leverages technological advancements to improve delivery and support for customers across our 11 markets, the business is also taking responsible steps to balance the evolution of its operations by applying solid governance and world-class risk management frameworks. Our governance framework is informed by the principles of ethical trade, transparency, accountability and sustainability.

A Board evaluation was performed in 2021 in line with King IV requirements. To promote objectivity, the 2021 appraisal was facilitated by the Institute of Directors in Southern Africa (IoDSA), an independent governance facilitator. Of the governance areas evaluated, the strongest performance was found within Board Committees and Board Role Players. Although Letshego's Group Board achieved a strong overall score, we always gain by identifying opportunities where we can apply our commitment to continuous improvement. As a Board of an international organisation, we strive to align with world-class practices and global fiduciary research and guidelines.

In October 2021 Rose Mwaura joined the Letshego Group Board as an Independent Non-Executive Director, further boosting the Board's gender diversity and relevant specialist skills. Rose has over 25 years' experience in providing commercial and financial advisory, audit, assurance and governance services to various international organisations.

Throughout the year, we continued embedding the principles of good governance and all applicable codes and standards wherever possible. A particular focus was expanding the Board's oversight of cybersecurity. The effective implementation of the Group's Three Lines of Defence within our Enterprise Risk Management Framework (ERMF) provided the Board with the required assurance on this inherent risk as the organisation transforms into a digital-first organisation. The Board also devoted considerable time in reviewing and approving the Group's strategy in progressive workforce transformation and Agile Enterprise ways of working.

APPOINTMENT OF INTERIM GROUP CHIEF EXECUTIVE OFFICER

Subsequent to the 2021 financial year, the Board terminated the employment of Mr. Andrew Fening Okai as Group Chief Executive due to an irreparable breakdown in trust and confidence.

Following the separation, Letshego appointed its Chief Operations Officer, Mr. Aobakwe Aupa Monyatsi, as the Interim Group Chief Executive and Executive Director. The Board fully supports and has confidence in Mr. Monyatsi and his Executive Team to continue to drive the Group's strategy.

SUSTAINABILITY AND SOCIAL IMPACT

As a business that is trusted across Africa, Letshego's aim is to be a force for social good. We are proud of the Group's achievements in delivering measurable social impact to our customers and the communities in which we operate.

During 2021, Letshego took a great stride towards achieving our vision in further developing our Programmatic Approach solution that will ultimately see Letshego offering a variety of social impact solutions that include Affordable Housing, Education, Health and Green Lending. Research has shown that housing has profound benefits in supporting broader communities by increasing general social health and wellbeing. Being able to access and fund your own home enables more mass income households to access sustainable levels of self-sufficiency. The Board proactively supports the chosen selection of economic segments as they are proven to have the highest impact in supporting social development in Africa. Letshego's commercial offering supports 10 out ofthe 17 UN Social Development Goals (SDGs), and we look forward to sharing our statistical success as our Programmatic Approach solutions gain momentum.

Our choice of impact programmes such as green initiatives, health, education affordable housing enables us to align with international partners who share our sustainable thinking. Letshego's education and affordable housing offering with the International Finance Corporation (IFC) in Namibia marked the start of a truly exciting partnership and we appreciate the support, synergy, and partnership that the IFC brings to our strategy.

As Letshego increases access to productive capital across our footprint, the Group is working to continuously improve on our social impact reporting. In 2021 we contracted the help of 60Decibels, a global, tech-enabled impact measurement company, to conduct social impact surveys across all our 11 footprint countries. These surveys were conducted to understand our customers better, get to know personal motivating factors, daily challenges, financial habits and individual needs. One of the outputs of this survey is to gauge what Letshego loans are used for, analyse these insights and establish how to deliver greater impact going forward. Personal loans were the most common in all countries, with funds generally being used to pay for school fees (32%) or the construction of houses (31%). 45% of our customers use their loan for business purposes such as establishing new ventures or purchasing a vehicle. Nearly 9 in 10 customers feel they can trust Letshego with their money. Our surveys show that Letshego is making a positive difference to the financial situation of its customers, but there is an opportunity to further improve customer experience and to reach more underserved customers.

RESILIENCE, ADAPTABILITY AND A SOLID GROUNDING IN DIGITAL LITERACY IS NO LONGER A UNIQUE ASSET FOR INDIVIDUALS, BUT AN ESSENTIAL ATTRIBUTE FOR US TO LIVE AND THRIVE IN FUTURE ECONOMIES. THE LAUNCH OF OUR LETSGO DIGITAL MASTERY PROGRAMME IS INTENDED TO EMPOWER MORE AFRICANS BY HELPING THEM TO DEVELOP WORLD-CLASS DIGITAL SKILLS AND EXPERIENCE.

We are not only here to improve the lives of our customers, but also those of our own people, by upskilling and empowering our employees with contemporary digital skills that will secure the long-term sustainability and growth of our business well into the future. Resilience, adaptability and a solid grounding in digital literacy is no longer a unique asset for individuals, but an essential attribute for people to live and thrive in future economies. The launch of our LetsGO Digital Mastery programme in our three sub-regional digital hubs, namely Botswana, Kenya and Ghana, is intended to empower more individuals from our footprint communities to share our passion through digital literacy and skills.

PROSPECTS

The success of the Group was enabled by our focus on people both within and outside the business. From the outset, the Group adopted a customer-centric approach to doing business, with its operations structured to deliver value at affordable prices. This has translated into a resilient business that can withstand external shocks and remain sustainable into the future. Nevertheless, to remain competitive in today's world, we need to go beyond affordability to address individual customer needs. More than ever, Letshego must leverage its agile ways of working to help us prepare for our future potential. This window of technological opportunity will close unless we continue to deliver fast and with the right quality.

In the next financial year, we will remain committed to creating meaningful and sustainable value for all stakeholders. Done right, this will allow Letshego to continue operating at the forefront of banking innovation. Further, we will continue to pursue our diversification strategy, using the momentum gained from this past year to propel us forward. While many challenges lie ahead, the Group's robust strategic plan and resilient business model will drive our transition from a traditional micro finance institution to a pan-African 'Retail Tech' brand and entity.

IN THE NEXT FINANCIAL YEAR, WE WILL REMAIN COMMITTED TO CREATING MEANINGFUL AND SUSTAINABLE VALUE FOR ALL STAKEHOLDERS.

Acknowledgements

The positive results achieved by Letshego in the past couple of years would not have been possible without an exceptional executive management team that is backed by a supportive and capable Board. The level of commitment and competence demonstrated by the Group's leadership has made it possible for the business to pursue the right initiatives at the right time.

On behalf of the Letshego Group Board, I express my heartfelt appreciation to our diverse and valued stakeholders who make Letshego what it is, and create a unique culture that will ensure Letshego's future potential is realised. I have been inspired with the launch of our first 'Chairman's Award' that recognises employee intrapreneurship, individual excellence, effective collaboration and broader impact within our business. I wish to acknowledge and congratulate Michael Inhambao again for winning our first award, and inspiring others to achieve their respective, individual potential.

Thank you to our people, customers, regulators, investors as well as our public and private partners as we collaborate and support our stakeholders through the unusual times still to come.

I extend my appreciation to my fellow directors, with specific thanks being extended to Stephen Price and Runa Alam. Stephen Price is currently our longest serving member and retires from the Group Board after nine years of service and dedication. Runa Alam tendered her resignation to the Group Board this first quarter, following the timed conclusion and gradual sale of the ADP I Holding 2 equity stake in Letshego Holdings Limited. I would like to thank Stephen and Runa for their unwavering dedication, partnership, expert input and friendship provided to the Board and Letshego as a whole, as we wish them both much success and fulfilment in their future ventures. We have enjoyed engaging with you and commend you for all your hard work and insightful leadership.

My sincere gratitude to our customers for trusting Letshego as a partner in your financial journey, and to our strategic partners that assist us to continue delivering sustainable value now and for generations ahead. We will continue to work hard each day to find new and innovative ways to serve your needs and earn your trust.

MR ENOS BANDA
Group Chairman

INTERIM GROUP CHIEF EXECUTIVE'S INSIGHTS

I am delighted to report on Letshego's sound performance for the 2021 financial year. I am proud to be a member of such a dynamic and energetic family of Africa-wide employees, who are as excited about change and our future potential as I am.

FINANCIAL PERFORMANCE

Letshego achieved double digit performance growth for 2021, with profit before tax up 11% year-on-year to P1.147 billion, and profit after tax climbing 16% for the same comparative period, to P730 million.

Asset quality remains strong with the Group's Loan Loss Ratio (LLR) at -0.1% for the year, or 0.5% if we strip out once-off deductions. The Group's non-performing loans ratio increased marginally to 5.9% for the year (FY2020: 5.3%), reiterating stability in the Group's credit and risk management framework. Performance for the year was largely driven by 17% growth in net customer advances, totalling P11.9 billion. Net Interest Income saw a gradual increase of 6% year-on-year, and non-funded income increased by 30% year-on-year, buoyed by momentum in new insurance offerings in select markets. In line with the Group's commitment to spurring focused investment, the Group's operating expenses grew 13% year-on-year. Investment is expected to increase further during the final phase of Plan 2, which runs out by the end of the 2022 financial year.

Mr Aupa Monyatsi

LETSHEGO IS RAPIDLY PROGRESSING THE DIVERSIFICATION OF OUR BUSINESS, PRODUCTS, FUNDING SOURCES AND ULTIMATELY, OUR FUTURE GROWTH POTENTIAL. OUR FOUNDATION IS SOLID, AND OUR FUTURE IS BRIGHT. WE ARE BECOMING A DIFFERENT KIND OF ORGANISATION – AN INCLUSIVE BUSINESS THAT FITS IN BETWEEN BANKS AND FINTECHS, WHILE DELIVERING A TANGIBLE SOCIAL IMPACT WITHIN OUR FOOTPRINT COMMUNITIES. OUR PERFORMANCE REMAINS RESILIENT, AND WE APPRECIATE THE LIKE-MINDED APPROACH AND SUPPORT THAT OUR STRATEGIC PARTNERS PROVIDE IN HELPING US REACH AND ACHIEVE OUR VISION.

Within the Group's lending value stream, Letshego achieved double digit growth in its Deduction at Source portfolio of 14% (FY2021: P10.5 billion). Profitability in Deduction at Source remains positive, buoyed by digital and system enhancements. The year saw slower growth in Micro & Small Entrepreneur, with this portfolio increasing in value by 7% to P859 million (FY2020: P806 million). The Mass Mobile Loans portfolio enjoyed stronger performance, with growth more than doubling in value to P568 million (FY2020: P231 million).

Letshego remains well capitalised at a 31% capitalisation ratio, and has a strong liquidity position to support future business growth. The Group is pleased to announce a final dividend of 9.7 thebe.

In terms of strategic delivery, Letshego made significant strides in enhancing our execution capabilities, enabling us to go live with our LetsGo Digital Mall platform across 10 countries well ahead of schedule.

PROGRESSING AGAINST OUR FIVE TRANSFORMATIONAL CONVERSATIONS

Letshego's Transformation Strategy is built on strategic conversations that emphasise flexibility and adaptability, while maintaining a focus on five core elements. A key strategic objective within the Group's five-year strategy is to build a digital-first company, delivering Return on Equity (ROE) in excess of 20%. The Group is on track to meet this aspiration by 2025, underpinned by enhancing and integrating our LetsGo Digital Mall platform. This will enable digital access for customers and our product propositions, while simultaneously improving operational efficiencies as the business drives towards a near 40% cost-to-income ratio.

With regards to **Product Diversification,** Letshego has broadened its scope of solutions into five value streams, namely Lending, Payments, Savings, Insurance and our most recent 'beyond financial services' or Lifestyle portfolio – which offers an innovative range of non-financial products.

The Group's core Deduction at Source lending product is now fully digitised and we have expanded our lending portfolio to include Programmatic Lending, which forms the bedrock of transformation in our MSE business while simultaneously achieving a tangible social impact. We are on track to deliver Letshego's Instant Loan in at least four of our markets in the first half of 2022. Letshego's Instant Loan is the result of our digital evolution, enabling us to deliver high quality loans, faster and more efficiently.

In 2021, we bolstered our transactional capabilities with new digital accounts that are already live in two of our markets. 'LetsGoPay' is an ideal mobile tool that enables customers to make payments, save and borrow instantly – and more simply.

Another addition to our Payments value stream is a cross-border inward remittance service for our Mozambique customers. Inter-regional payments is a growing opportunity that we look forward to scaling up in other markets in the medium term.

In terms of savings, the Group has launched a crowdfunding capability enabling family and friends to save together on the LetsGo Digital Mall. The first digital savings pilot commenced in Namibia and Ghana, with other markets to follow, subject to regulatory permissions.

During an active year we also launched five new short term insurance products covering personal, motor and household across three markets, with digital and online access enabled in Kenya.

In tandem with diversifying our products, Letshego made considerable strides in its **Digital Transformation** agenda this last year, having gone live with our LetsGo Digital Mall platform across ten markets in the first six months. Digitalisation is a key enabler for exponential growth in customer acquisition, product diversification as well as growing the Letshego brand. With new LetsGo registrations currently exceeding 10 000 per week, the Group is on course to achieve its target of one million Enterprise Active Customers (EAC) on our Digital Mall by 2023.

The LetsGo Digital Mall platform enables Letshego to manage core financial transactions, while permitting customers access to a variety of services through fintech partnerships. In essence, we have created a platform that allows us to diversify our offerings, while scaling up in an efficient and cost-effective way. More importantly, the LetsGo Digital Mall expands our reach exponentially as we build a LetsGoNation that aims to bring fellow Africans together, share experiences and strengths to support Africa's future development potential.

Letshego's **Geographic Rebalancing** centres around the Group's strategy to scale performance and contributions from our East and West African subsidiaries, while actualising local growth opportunities and increasing their collective contribution to Group profits over the medium to long term. I am delighted to report that Kenya has joined our 'club' of markets that make P100 million in profit before tax. If you recall, last year Ghana joined the club – and maintained that status this year. In 2021, our East and West African markets raised their collective profit contribution by 23% year on year, characterised by continuous business growth in Ghana, digital adoption in Nigeria and cost optimisation in Uganda.

Letshego is far down the track in adopting **Enterprise Agility,** a world-class methodology that inspires our employees and creates opportunities for industry-wide learning. Since introducing Agile ways of working the Group's operational productivity has already improved by 15%. Currently we have more than 30 agile squads operating across our footprint and divisions, while our internal training programmes and learning hours have increased exponentially. These numbers show that our people have clearly aligned with Letshego's vision and are recognising the opportunities that our future-fit focus brings.

We've always said that Letshego's strategic transformation will be enabled by transforming the people who are responsible for leading and driving the transformation, hence the Group's drive to disseminate the right skills throughout our regional workforce. Letshego's people-first initiatives include the appointment of 131 individuals with digital and specialist skills to support delivery and ongoing strategic transformation.

Our **Shareholder Value** has continued to increase, with ROE increasing to 14% and return on assets steady at 5%. With the completion of the Capital Allocation and Optimisation exercise, the Group is ensuring efficient use of all capital, thus supporting long term shareholder value and returns through organic and inorganic growth.

As promised, the Group will keep its cost to income ratio just above 50%. While bringing certain investments forward during the first half of 2022 to accelerate digital transformation, we anticipate lifting our cost to income ratio to approximately 55% in the 2022 financial year. We anticipate that Letshego's revenue trajectory will rise significantly in the medium to long term as new products gain traction and we grow our customer base. I am most confident that Letshego's cost to income ratio will reduce towards its 40% target as our strategies begin delivering in full measure.

6-2-5 ROADMAP TO SUCCESS

Plan 6 of Letshego's 6-2-5 strategy (June to Dec 2020) centred on leveraging the Group's legacy and strengthening our core business. Now, in Plan 2 (2021 and 2022), we are spurring momentum through end-to-end automation of processes, systems and platforms. Plan 2 is also characterised by securing strategic partnerships that not only expand our reach, but also assist in launching inclusive products that facilitate a step-change in value for existing and potential customers. This is our 'become' phase that will see Letshego emerge as a leading pan-Africa digital organisation as we progress towards our Plan 5 targets.

During 2021, we prioritised customer access by investing in digital tools that ensure an easy and convenient customer journey. Our teams are working hard to provide an increasingly interactive front-end, continuously enhancing our channels and reworking digital forms to be concise and user friendly. This development was underpinned by feedback garnered from customer and partner focus groups, which allowed us to tweak our customer interfaces prior to release.

The speed at which we disburse our loans has always been a differentiator for Letshego, and can now be further improved with our swift adoption of Agile Enterprise methodologies. As we upgrade our legacy systems, we must ensure that our current speed maintains momentum, even as volumes are increasing. We have therefore developed Robotic Process Automation, or 'bots' to take over repetitive and manual tasks. These robotic processes are a mid-phase solution as we transition towards achieving end-to-end automation, or a 'Zero Ops' platform. Our Target Operating Model is driving the business towards seamless and near instantaneous turnaround times in the longer term.

Employee roles continue to be updated in line with our digital-first strategy and realigned organisational structures, as our channels evolve from customers accessing solutions primarily through branches and sales agents, to a digitised suite of channel options. Letshego increasingly supports our customers through our integrated LetsGo Digital Mall platform , which is connected to various partners through API technology, and delivers dramatically enhanced levels of customer interaction and access. The Mall is a 'one-stop-shop', not only in accessing Letshego's rapidly expanding suite of solutions and products, but also in providing a variety of lifestyle, social and retail opportunities. During 2021, we finalised a partnership with BrandMed, that will bring a unique digital wellbeing experience to our customers registered on our Digital Mall platform. Our wellbeing platform has valuable growth potential in extending the reach of affordable, expert health into the hands of more Africans – this is an exciting and unique way to improve lives.

Despite all these developments, Letshego's core business of being an inclusive financial services provider hasn't changed. These ongoing innovations simply allow Letshego to create an expansive ecosystem through which our customers can receive world-class services that historically weren't easily accessible. As Letshego transitions into a diversified and robust retail technology business, our ecosystem must be supported by an automated digital operating system that can handle vast amounts of traffic. It must also be flexible and adaptable for the different types of products and services that we intend introducing through our Mall.

RISKS AND CHALLENGES ASSOCIATED WITH OUR TRANSFORMATION

2021 was a year in which Letshego began to realise its vision to deliver world-class retail financial services. Our metamorphosis is currently underpinned by significant investments into our people and technology, accelerating the foundations for efficiency across functions, and engaging more closely with our customers more than ever before. These factors allow us to remain competitive while transforming our business into a future-fit entity that leverages digital and end-to-end automation to unlock significant enterprise value, not only for our customers, but also for our investors and shareholders.

Letshego's leadership continually balances the trade-offs between operating our business so that it delivers strong results today, while also building a foundation for future success. The current structure must continue to work well while we develop the digital and automated systems that will ensure the Mall's future competitive capabilities. To ensure resilience, security and expanding sustainability in our systems, we have partnered with leading-edge, well-established vendors that bring top thinking capabilities to the table.

While seizing the opportunities digitalisation brings to our inclusive offering, keeping our customers' money and data safe remains a top priority. The Group recently appointed an international IT partner to strengthen our cybersecurity and risk capabilities, bringing sophisticated tools that monitor, track and protect our assets.

As we transform Letshego's ways of working and reorganise our people into multi-divisional 'Agile Squads', we must help our people adapt their mindsets towards a digitised and interactive future. Flattening a previously hierarchical organisation is a step-change, and getting people to buy-in and stay the course is both a challenge and an opportunity. During 2021, our Agile ways of working began to inspire our wider workforce, with teams gathering across our regional footprint and divisional boundaries to collaborate, create and execute our strategic goals in record time.

LOOKING AHEAD TO THE #LETSGONATION

The next mile of our strategic transformation journey is the incubation of a community that delivers social impact, while at the same time, increases the value of our business. Letshego's #LetsGoNation social movement provides a space for like-minded customers, communities and thought leaders to connect and reach out to each other with similar interests and passions. The #LetsGoNation brings Africans together to celebrate those nuances that make our continent and people unique, while enabling us to collaborate in using our strengths to build a brighter future for all.

As #LetsGoNation users congregate around shared areas of interest, they in turn provide us with insight into what inspires or supports their respective ambitions. Letshego can leverage these trends and insights to develop products and service offerings that synchronise with customer needs and add tangible value to everyday life.

The #LetsGoNation is designed for young users – the future of Africa. Connecting with young Africans early and outside of traditional banking 'halls' is creating a generation of customers who can trust the Letshego brand. Over time, the #LetsGoNation will enable Letshego to reach wider audiences, acquire customers through personal connections, and deepen our partnership with a dynamic action-orientated population well into the future.

Acknowledgements

It is my great and unanticipated honour to be placed in charge of a team of people whose unwavering commitment and dedication to their tasks and the Letshego brand has translated into meaningful value for our key stakeholders. The sheer energy our people are bringing to the fore is phenomenal and I thank you for your tenacity and staying power.

I would also like to extend my sincere gratitude to our established and new partners such as the International Finance Corporation (IFC), and BrandMed, who have worked hard with us to deliver on our vision of improving lives.

To our investors, thank you for your continued support. I look forward to the next lap in this journey with you all through 2022 and into 2023.

MR AUPA MONYATSI
Interim Group Chief Executive

AS #LETSGONATION USERS CONGREGATE AROUND SHARED AREAS OF INTEREST, THEY PROVIDE GREATER INSIGHT INTO WHAT THEY CARE ABOUT. LETSHEGO CAN LEVERAGE THESE TRENDS TO DEVELOP PRODUCTS AND SERVICE OFFERINGS THAT DIRECTLY ADDRESS CUSTOMER NEEDS AND ADD VALUE TO THEIR LIVES.

Who we are

Letshego is a Setswana word meaning 'support'. This encapsulates the Group's ability to partner with individuals as well as Micro and Small Entrepreneurs (MSE) by providing simple, accessible and appropriate financial and lifestyle solutions. The Letshego 'tripod' logo originates from the three-legged artifact used to support traditional cooking pots. The 'tripod' symbolises trust, self-sustenance and life improvement.

The Letshego Group is a truly African multinational organisation, headquartered and listed in Botswana and focused on increasing access to simple, appropriate and inclusive financial solutions to underserved populations across 11 sub Saharan markets. The company operates in Botswana, Namibia, Mozambique, Lesotho, Eswatini, Kenya, Rwanda, Uganda, Nigeria, Ghana, and Tanzania.

Letshego Holdings Limited was incorporated in 1998 in Gaborone, Botswana, and subsequently listed on the Botswana Stock Exchange in 2002. Today the Group leverages digitalisation to diversify its product offering within 5 Value Streams, namely Lending, Savings, Insurance, Payments and Lifestyle.

Letshego is committed to responsible and ethical lending as well as full regulatory compliance in all its countries of operation. The Group's brand is trusted across Africa and is known for being responsive to customers' needs. With a staff complement of over 3 000 – including both direct and indirect sales agents – and more than four million customers, Letshego is synonymous with leveraging innovation and technology to improve the lives of individuals with limited access to traditional financial services.

In 2022, Letshego celebrates 24 years of supporting regional communities, making strong progress following the launch of its transformation strategy and towards the Group's vision to be a world-class retail financial services organisation, improving the lives of mass and middle market individuals and micro and small entrepreneurs.

OUR JOURNEY

Letshego has grown into a vastly different organisation from where it started 24 years ago, when it offered its first loan to a government employee in Gaborone.

1998
Letshego is founded in Botswana

2002
Listed on the Botswana Stock Exchange

2005
Uganda operations are launched

2006
Eswatini and Tanzania operations are launched

2008
- Acquisition of Eduloan Namibia (now Letshego Namibia) is completed
- Botswana holding company name is changed to Letshego Holdings Limited
- Letshego team size exceeds 1 000 employees

2011
Mozambique operations, with deposit-taking licensing, are launched

2012
- Funds are raised through JSE and BSE listed Medium Term Note programmes
- Micro Africa Ltd (now Letshego Kenya and Letshego Rwanda) is acquired (62.5%)
- Lesotho operations are launched

AFRICA FOOTPRINT:

Proudly African, Letshego first opened its doors in Botswana 24 years ago. Today the Group supports over four million customers across its regional footprint comprising 11 markets.

ACCESSIBLE & AFFORDABLE:

Our purpose is to improve lives, extending the reach of simple, affordable and appropriate financial solutions to individuals and Micro and Small Entrepreneurs (MSEs) with a focus on Youth, Health, Agriculture, Education, Affordable Housing and Entrepreneurs.

STRONG CAPITAL BASE:

Letshego's Transformation Strategy ensures the Group remains well-capitalised, with an asset base of over USD1 billion. Letshego is listed on the Botswana Stock Exchange.

OUR PURPOSE: **IMPROVING LIVES**

2015

- FBN Microfinance Bank in Nigeria (now Letshego MFB) and a controlling stake in Advans Bank Tanzania (now Letshego Bank Tanzania) are acquired
- Group Profit Before Tax crosses BWP1 billion
- Letshego is now present in Southern, East and West Africa

2017

- Letshego Namibia IPO listing
- Acquired AFB Ghana
- LetsGo launched in Mozambique and Namibia

2018

- LetsGo launched in Rwanda, Nigeria and Tanzania
- Letshego celebrates 20 years of Improving Lives

2020

- Prioritised health and wellbeing of our people and customers with arrival of COVID-19
- Digitised customer access channels
- Launched Transformation Strategy, centered around 5 Conversations
- Completed the first phase of the 6-2-5 execution roadmap, Plan 6

2021

- Our LetsGo Digital Mall rolled out across 10 Letshego markets
- Commenced the second phase of the 6-2-5 execution roadmap, 'Plan 2'
- Secured over USD63m in partnership funding to accelerate our Programmatic Approach, offering commercial solutions in affordable housing, education and health.
- Signed IFC partnership to launch Affordable Housing in Namibia
- Launched LetsGo Digital Mastery programme to empower digital talent with future-fit skills
- ESG Framework enhanced with independent 60 Decibels social impact customer survey across 11 markets

Our vision board

1 VISION*

To be a world-class retail financial services organisation meeting the needs of mass and middle-income individuals and micro and small entrepreneurs (MSEs)

2 PURPOSE*

IMPROVING LIVES

3 MANTRA*

4 OUR STRATEGIC INTENT*

Capture 5–10% market share in all product-segment combinations across our existing markets

- Leverage our strength in the Deduction at Source (DAS) product and government employee segment to capture new market leading positions

Build 5 value streams to deliver unique value propositions in DAS loans, non-DAS loans, savings, remittances, insurance and payments, including cards

- Build a comprehensive product offering that goes beyond financial inclusion, catering to changing consumer preferences

Serve 3 core customer segments through customer acquisition and retention strategies tailored to middle and lower income segments and MSEs through the Group's Digital Transformation strategy

- Diversify our customer segments and introduce digital as our 'new normal' to increase our reach through an end-to-end digital customer solutions

5 5 CONVERSATIONS*

- PRODUCT DIVERSIFICATION
- DIGITALISATION
- GEOGRAPHIC REBALANCING
- ENTERPRISE AGILITY AND CORPORATE CULTURE
- SUSTAINABLE SHAREHOLDER VALUE

6 6-2-5 EXECUTION ROADMAP*

LEVERAGE OUR STRENGTHS TO DEEPEN IMPACT

Plan 6 (2020):

Strengthen foundation of core products

- Identify customer needs and develop acquisition strategies for all segments
- Develop compelling value proposition through tailored campaigns and strategic partnerships
- Leverage strength and know-how from core products and markets to grow deposits and MSE solutions across key markets
- Develop an end-to-end digital strategy and digitise DAS and savings journeys

Plan 2 (2020 – 2022):

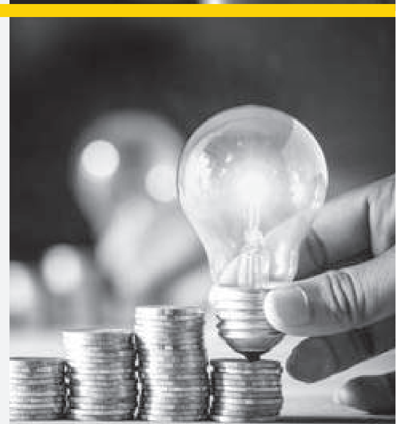
Become customer-led by developing compelling product value propositions

- Expand product offering to become a full-scale retail financial services provider
- Scale-up product-specific (e.g. low-cost housing) and segment-specific (e.g. agriculture loans) products, addressing the needs of each customer group
- Offer payments and insurance products in our core markets
- Digitises most customer journeys and automate manual processes

Plan 5 (2020 – 2025):

Create a future organisation

- Become a fully digitised financial institution with and end-to-end digital product offering and a leading IT architecture
- Scale-up all business lines (loans, deposits, payments and insurance) across all segments in all major markets
- Create ecosystems/ marketplaces around key assets (e.g. housing, cars) to serve customers across their entire journey



7 STAKEHOLDERS*

- OUR PEOPLE
- CUSTOMERS
- SHAREHOLDERS
- GOVERNMENT & REGULATORS
- STRATEGIC PARTNERS
- COMMUNITIES

* *Objectives and Key Results to measure Execution*

Diversifying our solutions within five value streams

The primary purpose of our solutions is to improve lives by offering access to credit, give customers a safe place to save, make their payments and support their way of living. The Group's solutions encompass 5 customers journeys: lending; payments; savings, insurance and lifestyle.

VALUE STREAM 1: **Lending**

LetsGo borrow

PROVIDING ACCESS TO CAPITAL

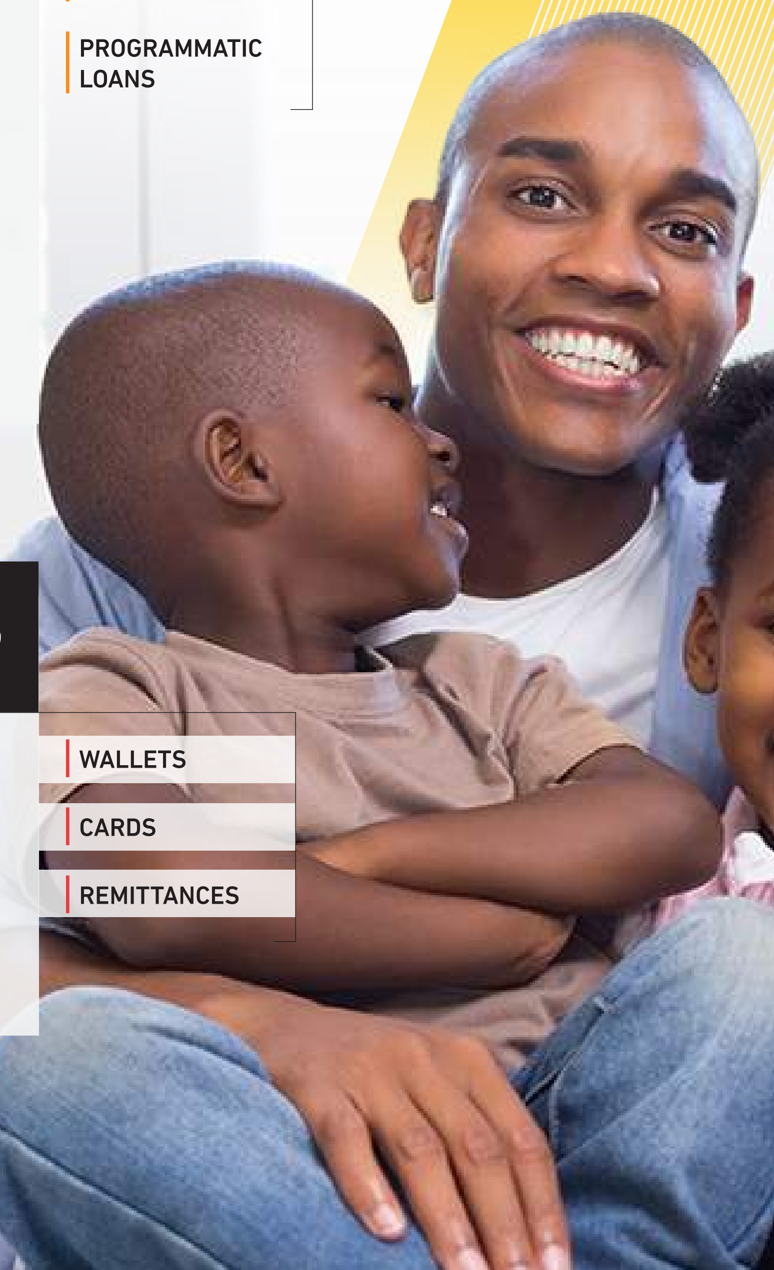
Our loans are designed to meet our customers' needs, enable them to uplift themselves and their communities and make the change they need to generate a sustainable livelihood. At an affordable interest rate and accessible delivery channels, we ensure that our customers are empowered through the productive use of capital.

- Letshego offers **deduction at source (DAS)** solutions to the employed sector, both in government and non-government, and loans and transactions to the **micro and small entrepreneur (MSE)** sector
- Our **instant lending** solution enables customers to apply for loans on their mobile phones, as well as develop and improve their personal credit profile by managing their small loans responsibly
- During 2021, Letshego launched **programmatic lending** to accelerate social impact through Affordable Housing, Agriculture, Education and Health funding solutions.

PERSONAL LOANS (DAS)

PERSONAL LOANS (NON-DAS)

PROGRAMMATIC LOANS



VALUE STREAM 2: **Payments**

LetsGo pay

FACILITATING SIMPLE AND SECURE PAYMENTS

Money transfers based on technology are increasingly becoming the most effective way to provide financial services and drive the continent's financial inclusion aspirations. Through the use of agency banking, unstructured supplementary service data (USSD) and mobile banking, we bring services to the fingertips of our customers and make our mark in inclusive finance.

WALLETS

CARDS

REMITTANCES

VALUE STREAM 3:
Savings

LetsGo save

SCALE DEPOSITS

MOBILISING SAVINGS FOR THE FUTURE

Having a savings account helps our customers to prepare for rainy days and cover future costs such as a child's education or wedding. With Letshego's savings account, our customers are guaranteed access to their money whenever they need it. We offer competitive interest rates on our savings accounts.

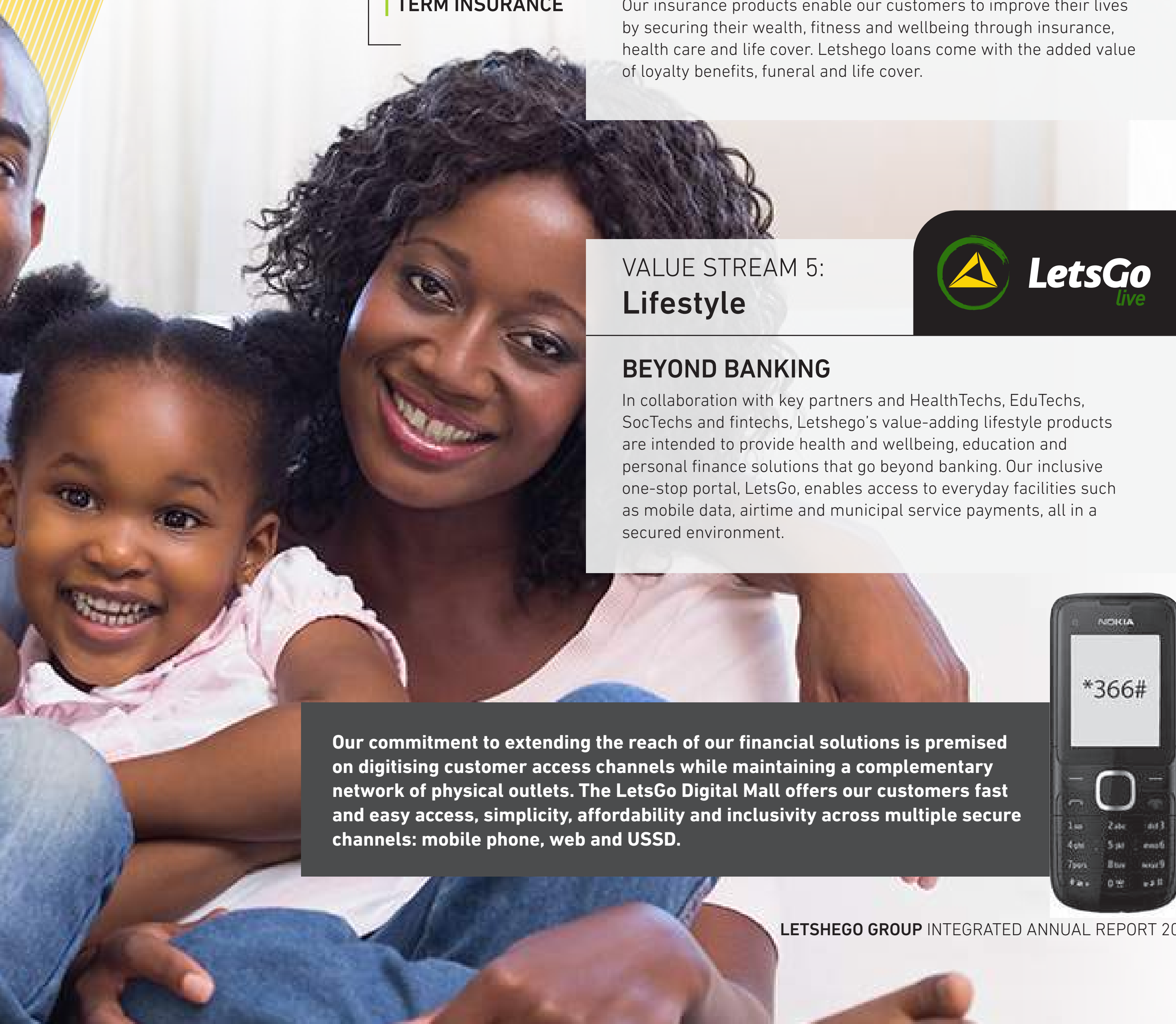
VALUE STREAM 4:
Insurance Products

LetsGo insure

LIFE AND SHORT-TERM INSURANCE

PROTECTING AGAINST RISKS

Our insurance products enable our customers to improve their lives by securing their wealth, fitness and wellbeing through insurance, health care and life cover. Letshego loans come with the added value of loyalty benefits, funeral and life cover.



VALUE STREAM 5:
Lifestyle

LetsGo live

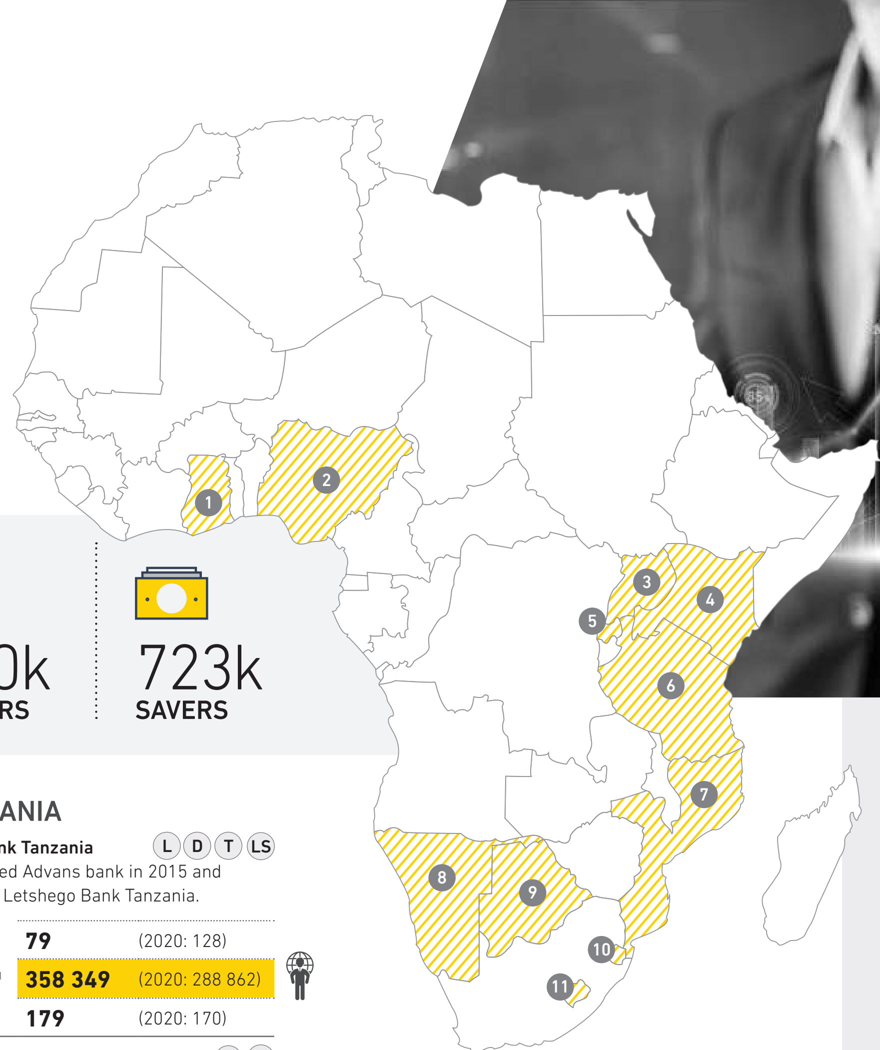
BEYOND BANKING

In collaboration with key partners and HealthTechs, EduTechs, SocTechs and fintechs, Letshego's value-adding lifestyle products are intended to provide health and wellbeing, education and personal finance solutions that go beyond banking. Our inclusive one-stop portal, LetsGo, enables access to everyday facilities such as mobile data, airtime and municipal service payments, all in a secured environment.

Our commitment to extending the reach of our financial solutions is premised on digitising customer access channels while maintaining a complementary network of physical outlets. The LetsGo Digital Mall offers our customers fast and easy access, simplicity, affordability and inclusivity across multiple secure channels: mobile phone, web and USSD.

Our footprint

We are maintaining our Pan-African focus



11 COUNTRIES

1 765 EMPLOYEES

4 990k BORROWERS

723k SAVERS

1 GHANA

L D LS

Opened doors in 2010 as AFB Ghana. Acquired by Letshego Group in 2017.

EMPLOYEES	**185**	(2020: 189)
CUSTOMERS[1]	**4 587 923**	(2020: 3 799 511)
OUTLETS	**26**	(2020: 26)

2 NIGERIA

L D T LS

Opened doors as FBN Microfinance Bank in March 2008. Acquired by Letshego Group in 2015 and rebranded as Letshego MFB.

EMPLOYEES	**282**	(2020: 281)
CUSTOMERS[1]	**94 837**	(2020: 84 459)
OUTLETS	**22**	(2020: 22)

3 UGANDA

L LS

Opened doors in 2005 as Micro Provident Uganda. Rebranded to Letshego Uganda Limited in 2011.

EMPLOYEES	**192**	(2020: 251)
CUSTOMERS[1]	**41 748**	(2020: 43 548)
OUTLETS	**44**	(2020: 45)

4 KENYA

L I LS

Opened doors in 2000 as part of MicroAfrica Group. Acquired by Letshego Group in 2012.

EMPLOYEES	**156**	(2020: 171)
CUSTOMERS[1]	**11 125**	(2020: 12 967)
OUTLETS	**29**	(2020: 29)

5 RWANDA

L D

Opened doors in 2000 as part of MicroAfrica Group. Acquired by Letshego Group in 2012.

EMPLOYEES	**52**	(2020: 50)
CUSTOMERS[1]	**14 462**	(2020: 13 915)
OUTLETS	**4**	(2020: 4)

6 TANZANIA

Letshego Bank Tanzania

L D T LS

Group acquired Advans bank in 2015 and rebranded to Letshego Bank Tanzania.

EMPLOYEES	**79**	(2020: 128)
CUSTOMERS[1]	**358 349**	(2020: 288 862)
OUTLETS	**179**	(2020: 170)

Faidika Tanzania

L LS

Faidika opened doors in 2006.

EMPLOYEES	**59**	(2020: 86)
CUSTOMERS[1]	**27 755**	(2020: 29 202)
OUTLETS	**103**	(2020: 103)

7 MOZAMBIQUE

L D T

Opened doors in 2011. Commercial banking license awarded in 2016.

EMPLOYEES	**169**	(2020: 171)
CUSTOMERS[1]	**318 249**	(2020: 262 314)
OUTLETS	**466**	(2020: 475)

8 NAMIBIA

L D T LS

Edu Loan Namibia acquired by Letshego Group in 2008 and registered as Letshego Micro Finance Services Ltd. Listed on NSE in 2017.

EMPLOYEES	**157**	(2020: 152)
CUSTOMERS[1]	**84 714**	(2020: 73 702)
OUTLETS	**16**	(2020: 16)

9 BOTSWANA

L I LS

Opened doors in 1998. Listed on the Botswana Stock Exchange in 2002.

EMPLOYEES	**149**	(2020: 148)
CUSTOMERS[1]	**32 198**	(2020: 29 992)
OUTLETS	**15**	(2020: 16)

10 ESWATINI

L LS

Opened doors in 2006 as Micro Provident Swaziland and rebranded in 2010.

EMPLOYEES	**27**	(2020: 27)
CUSTOMERS[1]	**137 026**	(2020: 114 432)
OUTLETS	**3**	(2020: 3)

11 LESOTHO

L LS

Opened doors in 2012.

EMPLOYEES	**45**	(2020: 40)
CUSTOMERS[1]	**4 984**	(2020: 6 221)
OUTLETS	**5**	(2020: 5)

L Lending
D Savings
T Payments
I Insurance
LS Lifestyle

1 Enterprise Active Customers (EACs)
** Tanzania includes LBT and Faidika*

Our structure

LETSHEGO HOLDINGS LIMITED

- LETSHEGO FINANCIAL SERVICES (PTY) LTD **BOTSWANA** — 100%
- LETSHEGO **KENYA** LTD — 100%
  - Letshego Kenya Insurance Ltd — 100%
- LETSHEGO FINANCIAL SERVICES **LESOTHO** LTD — 95%
- LETSHEGO FINANCIAL SERVICES **BANCO LETSHEGO** SA — 98%
- LETSHEGO HOLDINGS **(NAMIBIA)** LTD — 78%
  - Letshego Bank Namibia Ltd — 100%
  - Letshego Micro Financial Services Namibia (Pty) Ltd — 100%
- LETSHEGO **GHANA** SAVINGS AND LOANS PLC — 100%
- LETSHEGO **SOUTH AFRICA*** (PTY) LTD — 100%
- LETSHEGO **UGANDA** LIMITED — 85%
- LETSHEGO **MAURITIUS*** LIMITED — 100%
  - Letshego Financial Services Swaziland (Pty) Ltd — 85%
  - Letshego MFB Nigeria Ltd — 100%
  - Letshego Rwanda Ltd — 100%
- LETSHEGO **TANZANIA** LIMITED T/A FAIDIKA — 100%
- LETSHEGO BANK **TANZANIA** LIMITED — 100%

* *Mauritius and South Africa are not customer franchises*

Our value creation business model

THE RESOURCES WE LEVERAGE

1

FINANCIAL RESOURCES

The pool of funds supporting business operations, including equity finance and debt.

2

HUMAN RESOURCES

The competencies, capabilities and experience of our employees and how they innovate, collaborate and align with Letshego's objectives.

3

MANUFACTURED RESOURCES

The facilities and general infrastructure that enables Letshego to support business operations (tangible assets).

4

INTELLECTUAL RESOURCES

The intangibles that sustain the quality of our product and service offering, which provide Letshego's competitive advantage, such as our innovations, systems and reputation (intangible assets).

5

SOCIAL AND RELATIONSHIP RESOURCES

The relationships and collaborations we create with our customers, stakeholders and communities.

6

NATURAL RESOURCES

Renewable and non-renewable resources used by Letshego to function.

OUR VALUE CREATION PROCESS IS INFLUENCED BY:

OUR STAKEHOLDERS' NEEDS

The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver more tangible value.

OUR RISKS AND OPPORTUNITIES

Having identified Letshego's risks and opportunities, we can minimise each risk and maximise each opportunity.

OUR VALUE CREATION PROCESS IS UNDERPINNED BY:

ACCESS CHANNELS

- Digital platform with mobile access
- Branches
- Agency and satellites

SUPPORT FUNCTIONS

- Human resources
- Transformative technologies
- Ecosystem partners

OUR OPERATING ENVIRONMENT

Letshego reviews its operating environment to identify the economic, environmental and social factors that management believes could most substantively impact the Group's ability to create value.

OUR STRATEGY

- Product diversification and strengthening our core offering
- Accelerating our digital transformation
- Geographic rebalancing
- Enterprise agility
- Sustainable shareholder value

OUR 6-2-5 ACTION PLAN

6 **Strengthen our core business and rollout existing products to other geographies**

2 **Be customer-led and invest in transformative technology**

5 **Leverage platform thinking to create a future organisation**

CONTROL FUNCTIONS

- Compliance
- Risk management
- Audit

CORPORATE GOVERNANCE

- Overseeing strategic execution
- Setting the ethical tone.

DELIVERING VALUE TO STAKEHOLDERS

Our business activities ultimately enhance the lives of our employees, customers and the broader communities in which we operate, while benefitting our shareholders.

SHAREHOLDERS

- Return on Equity (ROE) increased to 14%
- Earnings per share improved by 16%

CUSTOMERS

- Simple, appropriate and accessible financial solutions

EMPLOYEES

- Superior training, skills development and career advancement opportunities

GOVERNMENTS AND REGULATORS

- Full compliance with relevant legislation, governance frameworks and industry standards

INVESTORS AND FUNDERS

- Attractive and sustainable growth strategy with a strong focus on social impact.

STRATEGIC PARTNERS

- Mutual benefits and profitability through shared markets, services, and technology

COMMUNITIES

- Business practices that benefit African communities for the immediate and long term
- Programmatic lending solutions targeted at agriculture, education, health care, and provision of affordable housing
- Customised solutions to support the growth of Micro and Small Entrepreneurs (MSEs)

MANAGING OUR RESOURCES

RESOURCES	INPUTS
FINANCIAL RESOURCES	▶ P5.5 billion equity capital ▶ P7.4 billion debt capital ▶ Shareholder funds ▶ Net customer deposit cash inflows
HUMAN RESOURCES	▶ 1 765 skilled, customer-centric people ▶ Experienced and ethical leadership team ▶ Performance management system ▶ Various training courses
MANUFACTURED RESOURCES	▶ 912 physical access points ▶ Call centres ▶ Online and mobile platforms, including the LetsGo Digital Mall ▶ IT hardware
INTELLECTUAL RESOURCES	▶ A deliberately shaped, agile culture ▶ A trustworthy brand that resonates with consumers ▶ Marketing campaigns and initiatives ▶ IT systems and enterprise architecture ▶ Balance sheet management ▶ Market and data analysis
SOCIAL AND RELATIONSHIP RESOURCES	▶ Relationships with all stakeholder groups, including over 5 million customers ▶ Sustainable business practices to meet the SDGs as well as responsible ESG practices
NATURAL RESOURCES	▶ Electricity ▶ Water ▶ Fuel ▶ Land

OUTPUTS

- Revenue P2.3 billion
- Operating Profit P1.15 billion
- Dividends distributed P371 million
- Op expenditure P671 million
- Fin Costs P1.1 billion
- Taxes Paid P423 million

- Excellent customer service
- P546 million paid in salaries and benefits
- 17% staff trained during FY2021
- Talent pipeline
- 17% turnover rate
- Increased diversity through hiring people locally

- Infrastructure spend on enhancing branches
- P45.1 million capitalised into our Digital Mall
- Increased automation and functionality at the back end of the LetsGo Digital Mall
- Staff work from home capability

Letshego is developing a range of distinctive capabilities that cannot be easily replicated by competitors – this will ensure coherent value creation.

- Better responses to changing consumer needs
- Brand reinforcement and market communication
- Accelerated deployment of new technologies
- Agile project management
- Effective controls and processes
- Improved business practices

- Brand reinforcement and market communication
- Understanding our customers
- Networking and partnerships
- Focused and committed corporate social investment (P1.7 million spent in FY21)

- Responsible management of waste and emissions
- Focus on sustainable use of our resources
- Maximising digital reduces our carbon footprint
- Green efficiencies at our new head office building

OUTCOMES

We leverage financial capital to invest in our business and grow our competitive market position. This has a positive impact on human, intellectual and the social and relationship capitals.

Significant people-related investments in initiatives negatively impacts our financial capital in the short term but positively impacts our human, social and relationship capitals, which, over the longer term, enables us to have the people and capabilities required to deliver our strategy and performance targets.

Our appeal as an employer of choice and our brand value, in turn, increases our intellectual capital.

Although digital adoption is increasing because of the COVID-19 pandemic, we chose to retain our physical access points as our customers enjoy face-to-face engagement – thereby reducing the financial capital but increasing social and relationship capital.

Automation of routine tasks through technology may reduce human capital.

Ongoing investment in business processes and new systems is growing our intellectual capital and indirectly benefiting our human, and social and relationship capitals, but negatively impacting financial capital in the short term.

Stakeholder-related investments in initiatives reduces our financial capital in the short term but positively impacts our social and relationship capital, which, over the longer term, enables us to have the community of stakeholders that are loyal and supportive to our brand and provide our social license to operate.

While certain business activities impact our natural capital (for example, use of fossil fuels and related emissions), these positively impact human, social and relationship and the financial capitals.

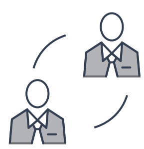
Our key relationships

Letshego is part of a greater socioeconomic ecosystem and we recognise that we are dependent on robust relationships with all other stakeholders. The feedback our stakeholders provide enables us to mould and enhance our strategy and operations to deliver more tangible value. We are committed to working with our stakeholders to understand their unique objectives leverage opportunities to achieve collective benefits.

OUR APPROACH TO STAKEHOLDER ENGAGEMENT

The interaction and integration of global economies means there are multiple people, customers, investors, funders, communities, companies, governments, regulators, and economies that are affected by Letshego's operations, and thus have either a direct or indirect interest in our strategy and success. We consider these stakeholders integral to achieving our vision of becoming a world class retail financial services organisation. Letshego is committed to working with each stakeholder group to understand their unique objectives and opportunities for leveraging our strengths to collaborate on collective benefits.

Stakeholder feedback enables us to mould and enhance our strategy and operations to deliver customised and tangible value. Our stakeholder engagement framework, which includes regular constructive engagement, opportunities for feedback, and varied platforms for open dialogue, is managed by Letshego's Group and Country Leadership and supported by the Group's Board of Directors.



STAKEHOLDER GROUP

CUSTOMERS

Our customers are the reason we are in business. Our ability to deliver on our vision and strategic objectives depends on our continued ability to offer them appropriate solutions. With increased competition in the banking sector, customers have more choice. We therefore strive to understand our customers so that we speak to them in a way that is relevant and offer them products that meet their needs.

THEIR NEEDS AND EXPECTATIONS

- Appropriate and accessible financial solutions
- Convenient access to services, increasingly through digitised channels
- Friendly and efficient service
- Empowering information that leads to financial wellness
- Transparency
- Ethical and fair treatment.

OUR RESPONSE

- To ensure appropriate, easy and increased access to inclusive financial solutions through secured digital channels
- Increasing our range of services and solutions
- Safeguarding deposits, while growing returns
- Excellence and reliability in impactful customer service
- Stable and secure IT systems.

HOW WE ENGAGE

- Marketing campaigns
- Customer polls and surveys
- Physical branches
- Call centres
- Digital access channels such as the LetsGo Digital Mall, Web, USSD, whatsapp and our #LetsGoNation Digital Community
- Customer focus groups

STAKEHOLDER GROUP

EMPLOYEES

Our people are integral to Letshego. It is through our people that we are able to deliver value to our customers, inspire loyalty and build the growth and success of our business.

Our people form the fabric of our unique culture, which is a strategic differentiator for Letshego within our economies and a contributing factor in achieving our ambition to be an employer of choice.

Our people's confidence in our strategy, collaboration in performance and delivery, as well as commitment to creating a memorable experience for our customers enables Letshego to deliver on its brand promise to Improve Lives.

THEIR NEEDS AND EXPECTATIONS

- Fair remuneration, effective performance management, and recognition
- Training, skills development and talent management
- Career development and advancement opportunities
- Clear communication
- A safe and healthy work environment.

OUR RESPONSE

- A Learning and Development Strategic Skills Framework is in place
- People and Culture (P&C) staff in each subsidiary have reporting lines to the Group. This has facilitated avoiding ambiguity in approach to policy and procedure rollouts
- Team building and culture sessions
- Employee and Long Service Awards assist in improving our level of staff engagement
- Leadership development
- Develop and rollout of tools to inform and communicate the strategy to all staff
- Employee engagement survey
- Access to learning through the Coursera platform.

HOW WE ENGAGE

- Intranet
- Email updates
- @OneLetshego Africa Calls ("group townhalls")
- @OneCountry Calls ("country meetings/townhalls")
- Leadership and training
- Employee engagement events
- Virtual Brown Bag sessions
- Employee performance framework
- Volunteering opportunities
- Employee incentive programmes
- Team building events
- Agile inspired 'PI Planning' events

STAKEHOLDER GROUP

INVESTORS AND FUNDERS

Our investors and funders provide the capital and financial support that enables Letshego to deliver appropriate financial solutions for our customers, invest and enhance our operations and channels, increase our differentiation and deliver greater value to our customers and communities in the longer term.

We engage with our shareholders and funders to build their confidence in us, provide strategic motivation for our transformation, ensure access to equity and debt funding, and facilitate two-way communication and open dialogue to understand and address their concerns.

THEIR NEEDS AND EXPECTATIONS

- Sustainable financial returns
- Attractive and sustainable growth strategy
- Strong and experienced management
- Transparent reporting and disclosure
- Sound governance
- Business resilience and stability
- Long term shareholder value.

OUR RESPONSE

- Sound business strategies aimed at delivering growth and sustainable value
- Proactive balance sheet management and capital optimisation
- Strong liquidity ratios in all our markets
- Strong corporate governance structures
- Formal report back at the Annual General Meeting
- Effective risk management frameworks.

HOW WE ENGAGE

- An online and accessible Letshego Investor Portal
- Financial results and releases
- Investor and funder updates
- Engagement events
- Integrated annual reports
- Impact reports
- Website updates
- Automated email alert mechanism for investor subscription
- Share price alerts and updates
- Global investor calls

STAKEHOLDER GROUP

STRATEGIC PARTNERS

Business partner engagements are key to the success of our diversification and digitisation efforts. Effective strategic commercial partnerships facilitate Letshego's ability to deliver a differentiated customer value proposition that will ultimately underpin a world class retail financial services organisation.

THEIR NEEDS AND EXPECTATIONS

- Mutual benefits and profitability
- Clear agreement on terms and adherence to agreements
- Ethical principles and business practices
- Maximising benefits to stakeholders
- Extending market reach.

OUR RESPONSE

- We ensure both parties are able to maximise synergies when selecting partnerships
- We select partners that are aligned to our key objectives of providing simple, affordable and easy to operate solutions to our customers, with a fast rollout ability
- We seek to share services with complimentary customer segments to maximise benefits to both our own and our partners customers
- We identify partners who have an existing strong presence on the continent. This allows us to enter and extend our reach in top growth markets and is mutually beneficial to both parties.

HOW WE ENGAGE

- Financial reporting
- Shareholder and stock exchange announcements
- Annual integrated reporting
- Impact reporting

STAKEHOLDER GROUP

COMMUNITIES

We believe that thriving communities enable businesses to succeed. We engage to understand societal needs and to further align our business to meeting these needs. Communities gain indirect benefits from our operations, through which we seek to improve the lives of our customers on a sustainable basis.

THEIR NEEDS AND EXPECTATIONS

- Access to advice, products and solutions that enhance financial wellbeing
- Social investment
- Community upliftment
- Financial education/inclusion.

OUR RESPONSE

We believe that thriving communities enable businesses to succeed. We engage to understand societal needs and to further align our business to meeting these needs. Communities gain indirect benefits from our operations, through which we seek to improve the lives of our customers on a sustainable basis.

HOW WE ENGAGE

- Open dialogue
- Interaction
- Consumer education
- Corporate Social Investment initiatives
- Social media platforms
- Website
- Advertising and Marketing

STAKEHOLDER GROUP

GOVERNMENTS AND REGULATORS

In the highly regulated financial services sector, engagement with government, local authorities, central bank/prudential authority (PA), regulatory authorities/bodies builds confidence, trust and enhances brand reputation and ease of doing business.

Regulators not only provide the framework for a robust and productive financial sector, but also offer an opportunity for collaboration and partnership as private and public sectors work together to secure the interest and benefits for all participants within a financial ecosystem.

THEIR NEEDS AND EXPECTATIONS

- Compliance with applicable legal and regulatory requirements
- Capital adequacy and liquidity
- Being a responsible taxpayer in all jurisdictions where we conduct business
- Active participation and contribution to industry and regulatory working groups
- Risk and cybercrime management.

OUR RESPONSE

- Being a responsible taxpayer in all jurisdictions where we conduct business
- Compliance with legal and regulatory requirements
- Active participation and contribution to industry and regulatory working groups.

HOW WE ENGAGE

- Government Relations Framework
- Regulatory updates and reporting
- Financial results and releases
- Shareholder and stock exchange notices
- Investor and funder updates
- Engagement events
- Integrated annual reports
- Impact reports
- Website updates
- Annual General Meetings

Our changing operating environment

As a multinational African financial services group, Letshego operates in a dynamic and complex environment influenced by constantly emerging threats and opportunities. In addition to the immediate challenges created by the COVID-19 pandemic, Letshego continuously reviews local and global trends to proactively address opportunities and mitigate threats. Currently emerging factors that could significantly impact Letshego's financial strength or competitive position are:

- Fluid macro-economic trends
- The evolving COVID-19 pandemic
- Elevated geopolitical tensions
- Rising cyber risk
- Shortage of digital skills

FLUID MACROECONOMIC TRENDS

From a macroeconomic perspective, Sub-Saharan Africa is expected to continue recovering in 2022, albeit slower than economies elsewhere. This rebound, currently fuelled by elevated commodity prices, relaxed pandemic measures and reviving global trade, remains vulnerable in the light of low vaccination rates across Africa and protracted economic damage from COVID-19 lockdowns or slowdowns. Growth projections for 2022 and 2023 of less than 4% falls behind the projections of advanced economies and emerging markets on other continents.

Economic recovery will be slower in the near term as recurring pandemic waves disrupt economic activities, supply chain bottlenecks continue, and debt burdens increase. To date most African countries have escaped COVID-19's worst health impacts, but its economic fallout is pushing the region into its first recession in 25 years and threatening to undo over a decade of development progress.

Rising geopolitical tensions globally pose material downside risks to global economic prospects, with a pronounced risk to commodity dependent sub-Saharan economies. Prevailing inflationary pressures since 2020 are expected to continue through to the first half of 2022, at least. In response, governments are reviewing their monetary policies and will probably raise interest rates, placing several currencies under pressure.

The Group remains alert to the fluidity of our macroeconomic environment and takes advantage of its opportunities where possible, while mitigating negative impacts when and where we can.

THE EVOLVING COVID-19 PANDEMIC

In December 2021, confirmed COVID-19 cases from 55 African countries reached 9 548 141, while over 185 502 904 vaccinations had been administered across the continent. Improved distribution of vaccines and boosters across most sub-Saharan markets enabled economies to maintain relative levels of resilience and partially or fully reopen trade throughout much of the year.

Despite clear signs that the end is in view, the COVID-19 pandemic disrupted Africa's economic activity in an unprecedented manner, reducing consumer income and increasing unemployment, poverty and food insecurity. Today, the continent faces a dual public health and economic crisis that could hinder the region's growth prospects for years to come. The African Development Bank estimates that in 2020/2021, African countries required $154-billion additional gross financing to respond to the pandemic. This multi-billion burden adds to already high debt levels in several African countries.

COVID-19 remains a risk on the horizon that Letshego continues monitoring. The unpredictable pandemic outlook is behind Letshego's prudent approach to curtailing new loan growth in higher risk segments and geographies, while prioritising portfolio remediation and collection efforts.

While the pandemic caused an unprecedented economic crisis, it also accelerated the transformation of businesses, many of which will have no choice but to reinvent themselves in order to remain sustainable into the future. This forced upgrade of commerce across the continent translates into huge opportunities for Africa.

ELEVATED GEO-POLITICAL TENSION

The global shadow cast by Russia's invasion of Ukraine on February 24, 2022 is felt equally across Africa. The resulting volatility of global oil prices directly impacts the transport and energy sectors, while food security is threatened by a potential shortfall in wheat and cooking oil supplies. Although some African countries may benefit from a shift in global markets away from Russia and the Ukraine due to the crisis, economic livelihoods in Africa will inevitably be disrupted.

Finally, while trans-Atlantic relations and NATO unity is in the spotlight, the invasion of Ukraine tests the concept of pan-African solidarity. In recent months, the African Union (AU), the Economic Community of West African States (ECOWAS), and the Southern African Development Community (SADC) have been undermined by conflicting views over how to handle the rising incidences of insurgencies across the continent.

Regionwide, social unrest and conflict increased significantly toward the middle of 2021, driven by armed conflict legacies, instability associated with political transitions, and high levels of unemployment, poverty, and inequality. These factors were exacerbated by the pandemic.

Major elections are scheduled in Kenya and Nigeria over the next year. These are key markets for Letshego and we look forward to credible elections that will enhance the good standing of these nations in global markets.

RAPID TECHNOLOGICAL ADVANCEMENTS

The rapid spread of internet access across the African continent is heralded as a key driver of prosperity and a sign of the continent's technological coming of age. Today, at least a quarter of the population has internet access – a nearly fifty-fold increase in internet usage since the turn of the millennium. By 2030, Africa could be digitally on par with the rest of the world in terms of internet connectivity. The attached economic potential is enormous: mobile technologies alone have already generated 1.7 million jobs and contribute $144 billion to the continent's economy, or roughly 8.5% of GDP. This positive upswing is expected to continue at an accelerated pace in coming years.

Just as influential as expanding internet penetration will be the development and diffusion of emerging technologies. These advances will enable capabilities such as smartphones, high-speed communication and artificial intelligence (AI). The ability to realise these gains will depend, in part, on the strategies adopted by businesses during the next few years, and their willingness to reframe their operating models to make the most of new technologies.

While Letshego leverages technological advancements to improve our delivery and support for customers across Africa, we are also taking responsible steps to balance the evolution of our operations through solid governance and world-class risk management frameworks.

Letshego's digital-first future remains dynamic, with the LetsGo Digital Mall platform paving the way for greater cross-regional integration of systems, products and delivery for customers. Data analytics and artificial intelligence will provide an intrinsic source of intelligence for our strategic decision-making and continue underpinning the evolution of our customer experience.

RISING CYBER RISK

The rapid spread of the internet across Africa has its dark side. In today's world technological advancements bring increased cyber risks, exposing Africans to connectivity-driven crime, espionage and even sabotage of critical infrastructure and businesses.

Until recently, Africa accounted for a negligible portion of overall internet traffic and its systems were seldom targeted by cybercriminals. That status will change in the coming decade as African nations and their enterprises and the young population of citizens become more cyber active. Four African states with comparatively high levels of internet penetration – Algeria, Morocco, Kenya, and Nigeria – already rank among the top ten countries by share of users attacked by mobile malware.

In addition, financial services firms are prime targets for cybercrime. They are more likely to be targeted because of the sensitive data they carry. Expanding digital banking service channels and the increasing sophistication of cyberattacks have exacerbated vulnerabilities and cyber risk.

Financial services providers could experience reputational damage as a result of lost client information or denial of customer services. When a bank data breach appears in news reports, many of the targeted bank's customers respond by transferring their accounts to other institutions due to perceiving that their bank's security controls are not adequate to protect confidential customer data.

Letshego has implemented appropriate preventative, detective and corrective controls as part of our intensified cyber security programme.

FINANCIAL SERVICES PROVIDERS COULD EXPERIENCE REPUTATIONAL DAMAGE AS A RESULT OF LOST CLIENT INFORMATION OR DENIAL OF CUSTOMER SERVICES.

SHORTAGE OF DIGITAL SKILLS

Skills shortages and competition for critical competencies are rising globally, particularly for technology- and digital-related roles. The digital skills 'gap' became even more apparent during the COVID-19 pandemic as rapid digitalisation moved many jobs online.

The first and possibly most pressing factor is the lack of digital skills amongst existing workforces. The second factor is the lack of properly trained graduates to fill digital posts in growing technological industries. Both elements of the digital skills gap provide an opportunity for businesses and individuals alike.

If companies can successfully retrain their workforces, they will not only be staving off immediate staffing problems, but also future-proofing their businesses. While upskilling an already trained workforce to work with or even develop digital products can be an enormous challenge, those companies that effectively train their workforces in relevant digital skills can offer better products or services at more competitive rates.

For individuals, the opportunity arises to bridge their own skills gaps. Graduates and skilled workers with IT qualifications can presently pick and choose from the best ICT jobs. The global skills shortage is creating a 'war for talent', in which companies have to compete for the best talent with new categories of players.

Letshego's people are at the centre of our digital transformation and we continue investing in our employees while also recruiting fresh talent and experience into our teams. In 2021 Letshego launched its 'LetsGo Digital Mastery Programme' that seeks to empower digital-savvy members of our regional communities with future-fit skills and regional financial experience. Empowering our people and customers with future-fit digital and specialist knowledge is one specific means for building a LetsGoNation and giving our stakeholders the 'Power to Be and Do'.

Five transformational conversations

To accurately explain the depth and reach of the strategic changes that will drive Letshego over the next years, we have compiled our transformational strategy into five pillars or 'conversations' that support the changes taking place at Letshego.

These five strategic conversations are the most material matters regarding Letshego that our shareholders and stakeholder need to consider when considering Letshego's future prospects.

1	PRODUCT DIVERSIFICATION	Broadening product offering
2	DIGITALISATION	Digital transformation
3	GEOGRAPHIC REBALANCING	Collective contribution – Diversification
4	ENTERPRISE AGILITY	Agile way of working Culture transformation
5	SUSTAINABLE SHAREHOLDER VALUE	EPS ROE Social impact – purpose driven

PRODUCT DIVERSIFICATION

WHY THIS IS IMPORTANT

The foundation of our business is the deduction at source (DAS) model, which accounts for over 80% of our loan portfolio.

Letshego has traditionally differentiated its market offering by focusing on the underserved mass and middle-income segments, as well as Micro and Small Entrepreneurs (MSEs). According to our research, the mass and middle-income segment presents approximately US$5 billion in opportunities across our markets, while the micro and small entrepreneurship space offers another US$1 billion at least. We understand these segments can identify opportunities for growth and profits.

Africa's 1.2 billion people represents 15% of the world's population, with over 50% of its people under 20 years old. Indeed, the continent's young population is ripe for technological adoption, with more than half a billion people in Africa now using mobile services. Digital adoption is a significant opportunity for all players in the financial services market. On the other hand, fintechs are profiting from challenges in areas such as mobile payments, insurance and lending, that banks and other financial services players have historically struggled to solve. Rather than competing with fintechs and mobile network operators, Letshego recognises that collaborations with fintechs can release immense synergies.

To this end, we are rapidly diversifying our product mix and making new services and solutions available. Letshego's ultimate goal is to go "beyond financial services" with our fintech partners to offer market-leading financial and lifestyle choices to a growing database of customers.

Expanding Letshego's offering will not only benefit us and our partners, but will also contribute to Africa's development.

2021 PERFORMANCE HIGHLIGHTS

As part of our product diversification strategy, we have broadened our product offering to include five value streams: Lending, Savings, Payments, Insurance and Lifestyle.

LetsGo borrow

- The core DAS product is now digitalised
- Our Lending value stream is broadening to offer individual 'instant loans', customised MSE Loans and Programmatic Loans. Letshego's 'Programmatic Approach' is gaining momentum in planning and structure. During 2021, Letshego Namibia secured USD50 million from the International Finance Corporation (IFC) to kick start the development of a socially impactful Affordable Housing solution
- We are on track to roll out an educational loan portfolio before June 2022 in Botswana.

LetsGo save

- 2021 was a milestone year for Letshego's Savings and Deposit segment, crossing the P1billion mark in portfolio value
- Digital Savings portfolio of products roadmap in 2022 include:
  – Digital FlexiSave Account
  – Digital Group Savings Account
  – Digital Transactional Account

LetsGo pay

- We have partnered with Panamax US to bring the 'LetsGoPAY Digital Account' to our customers. The comprehensive 'digital account' enables customers to send and receive money, save and borrow instantly, all without hassle, anytime, anywhere
- New digital accounts are already live in two of our markets. These transactional accounts help with deposit taking
- Mozambique has launched its inward remittance solution.

LetsGo insure

- We have partnered with Sanlam to expand our digital insurance offering, entitled 'LetsGo Insure' to all our markets
- Five new short term insurance products have launched across select pilot markets
- Digital Insurance portfolio of products roadmap in 2022 include:
  – Family Protection (Funeral)
  – Household Protection
  – Motor
  – Health and Lifestyle
  – Credit Life
  – Life

LetsGo live

- In collaboration with key partners and fintechs, research and development for value-adding lifestyle services and products will see deployment on the Mall in in the second half of 2022
- Letshego has now launched its first 'beyond financial services' offering on the Digital Mall, following a partnership with BrandMed
- Digital Beyond Financial Services portfolio of products roadmap in 2022 include:
  – Wellness
  – Digital Doctors
  – Education

ACCELERATING OUR DIGITAL TRANSFORMATION

WHY THIS IS IMPORTANT

Digital transformation is the integration of digital technology into all areas of a business, and it changes the way an organisation operates. Digital transformation encompasses every area of a business and can lead to process innovation and efficiency across units.

This transformation affects each level of our business and brings together data across areas to work together more effectively. By taking advantage of workflow automation and advanced processing, such as Artificial Intelligence (AI) and Machine Learning (ML), Letshego can connect the dots on the customer journey in ways that weren't possible before. Ultimately, digitisation enables our business to modernise legacy processes, accelerate efficient workflows, strengthen security and increase profitability.

At Letshego, digital transformation goes beyond putting technology and infrastructure in place – we want to transform the way our customers and people work. Part of this is training our workforce to train customers, and teaching employees the skills they will need in a digital future. At the same time, we are making sure that our customer Mall offers a great user experience, so that our customers seek it out. Our goal is for at least 80% of our customer transactions to be digitised within five years.

Letshego already has a competitive advantage in how we build and keep our core banking technology consistent across all our markets. This has provided a basic data set that lets us leapfrog over challenges. Our technology can connect seamlessly with collaborators to perform faster, which will help fast-track the implementation of our digital agenda.

With this opportunity comes the threat of cyberattack, and we are investing in our cyber governance to mitigate this growing risk.

2021 PERFORMANCE HIGHLIGHTS

Letshego launched its Digital Mall across ten markets in a short six months. At the end of 2021, just over 93 000 Enterprise Active Customers (EAC) had registered on the Mall, which is a proud achievement.

Digital First

- LetsGo Digital Mall platform now live in 10 markets
- New LetsGo payments gateway
- Predictive analytic credit scoring.

Business Transformation

- Our Digital Quotient (DQ), a measure of digital maturity, improved from 25% to 51%, driven by strides in Enterprise Agility
- Leveraging AI to harvest data
- Architecture refresh.

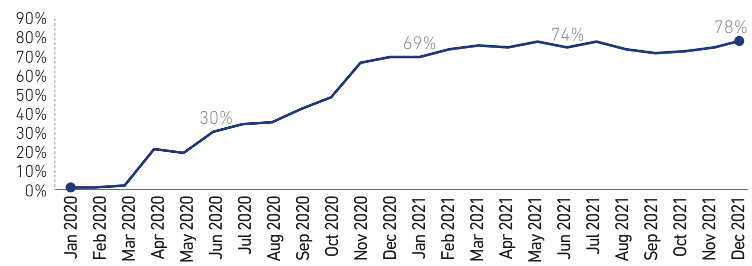
End-2-End Automation

- Leveraging emerging technologies, robotic process automation and data to enhance productivity and efficiency:
  - Automated Anti Money Laundering (AML) systems
  - Automated treasury system
  - Collections software (CollectSmart)
  - Business rules and decisioning (DecisionSmart)
  - First 'bots' deployed

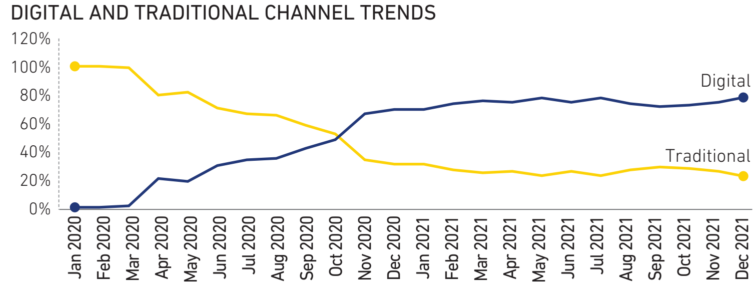
People First

- Building a culture of digital leadership, through enhanced knowledge and skills
- 97% employee uptake of digital learning solutions

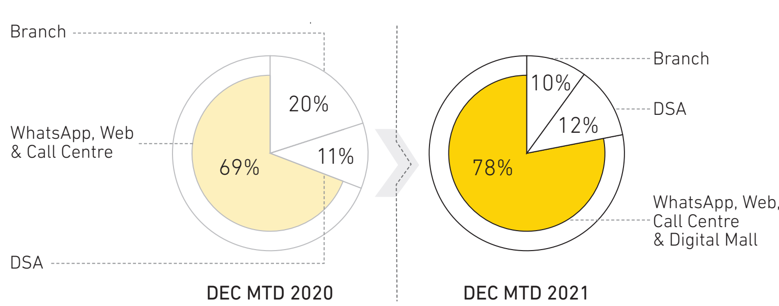
DIGITAL ADOPTION TRENDS



DIGITAL AND TRADITIONAL CHANNEL TRENDS



CHANNEL CONTRIBUTION (%) TO LOAN SALES



GEOGRAPHIC REBALANCING

WHY THIS IS IMPORTANT

While our traditional markets in southern Africa deliver stable results, we must find ways to our grow our East and West Africa regions for a more balanced business. Geographic Rebalancing is an initiative to grow the contribution of our East and West African subsidiaries to Letshego's overall profits. This does not imply any slowing of our Southern African businesses, but we expect our Eastern and Western operations to grow at a faster pace off a lower base until our geographic contributions are in better balance. The Group's intention is to move from an 80/20 split in profit contributions to 45/55 by 2025.

In the past, our approach to new markets was to take what we knew and implement it consistently – which resembles a one-size-fits-all approach. Now we recognise that different markets are at different points along the digital journey, so that each territory requires a unique strategy.

We have therefore differentiated our markets to better serve distinct needs across Africa . The Group's operational regions have been divided into:

- The Southern Region, comprised of Botswana, Namibia, Mozambique, Eswatini and Lesotho
- The Eastern and Western Region, comprising our other markets.

Our research shows exciting opportunities in some of our newer geographies. We are already seeing favourable results as we customise our business models in each country, while diversifying our product range. In the medium and long term, we foresee providing the MSE sector with the financial services it needs to seize market opportunities, grow their profits, and raise their contributions to profits.

2021 PERFORMANCE HIGHLIGHTS

In 2021 the proportional contribution of the Eastern and Western region to Profit Before Tax (PBT) was 21%, at P320 million (FY2020: 20%/P269 million). This region is well on its way to meeting its scheduled targets, as outlined in the following table.

Kenya

Kenya increased its PBT by 146% to P149 million (FY2020: P61 million). Growth was supported by improvements in DAS impairments and MSE operational cost reductions, as well as a write back.

Uganda

Uganda increased its PBT by 144% to P53 million (FY2020: P22 million). Growth is attributed to cost optimisation initiatives and increased digital engagement with customers.

Nigeria

Digital adoption is being spurred with greater volumes of loan applications being received via digital channels.

Ghana

Loan book growth of 72%

ENTERPRISE AGILITY

WHY THIS IS IMPORTANT

Enterprise agility is a paradigm for scaling agile methodologies beyond development teams. Successful agile transformation efforts can increase customer satisfaction, reduce operating costs and facilitate employee engagement. Some of the hallmarks of enterprise agility include smaller cross-functional teams and shorter, more iterative development cycles that scale agility efforts through appropriate business metrics.

Letshego has adopted the Scaled Agile Framework (SAFe) methodology to improve our way of work and to support our digital transformation strategy. Agile is the best practice response to a fast-paced and uncertain operating environment. It is now widely recognised as a vital strategy for digital organisations.

As Letshego evolves into a digital-first organisation, we must ensure that our organisational model can support our aspirations. Agile organisations comprise cross-functional, self-sufficient teams that collaborate efficiently, maximise productivity, and use fewer resources. Prior to adopting our transformational strategy, there had been ambiguity around how responsibility and authority was split between the Group executives and the management teams in each country. Our new organisational structure makes sure that our strategy is owned at both Group and country level by identifying gaps and clearly allocating responsibility, thereby allowing the Group to work more efficiently. Agile principles work because of their highly collaborative nature and direct project ownership by teams – the work doesn't migrate from department to department.

We expect success to follow as we build and reinforce our innovative culture over time. Our Agile principles are already helping to increase customer satisfaction, deliver simpler products to market faster, and boost employee job satisfaction. Letshego is far down the track in applying Agile, which is creating excitement among our employees, and opening opportunities for industry-wide learning.

2021 PERFORMANCE HIGHLIGHTS

Letshego's strategic transformation depends on developing or importing critical skills. As the Group grows in the data space, we must invest in our own people as well as our partners. Transformation and agility are the key drivers of the revenue growth that we are seeking.

Organisational Design (OD)

- Over 130 roles have opened within the digital framework
- Strategic roles that have since been filled include:
  - Group Chief Risk Officer
  - Head of Group Payments and Remittances
  - Head of Group Digital Marketing

New skills recruitment

- Our people-first initiatives include the appointment of 131 individuals with digital and specialist skills to support delivery and ongoing strategic transformation.

ERMF broadening

- We've significantly upgraded our cyber response capability, having signed up with leading partners to ensure service security.

Agile squads

- We have more than 30 agile squads working across the digital platform to support customer and new product delivery targets.

Digitising employee performance

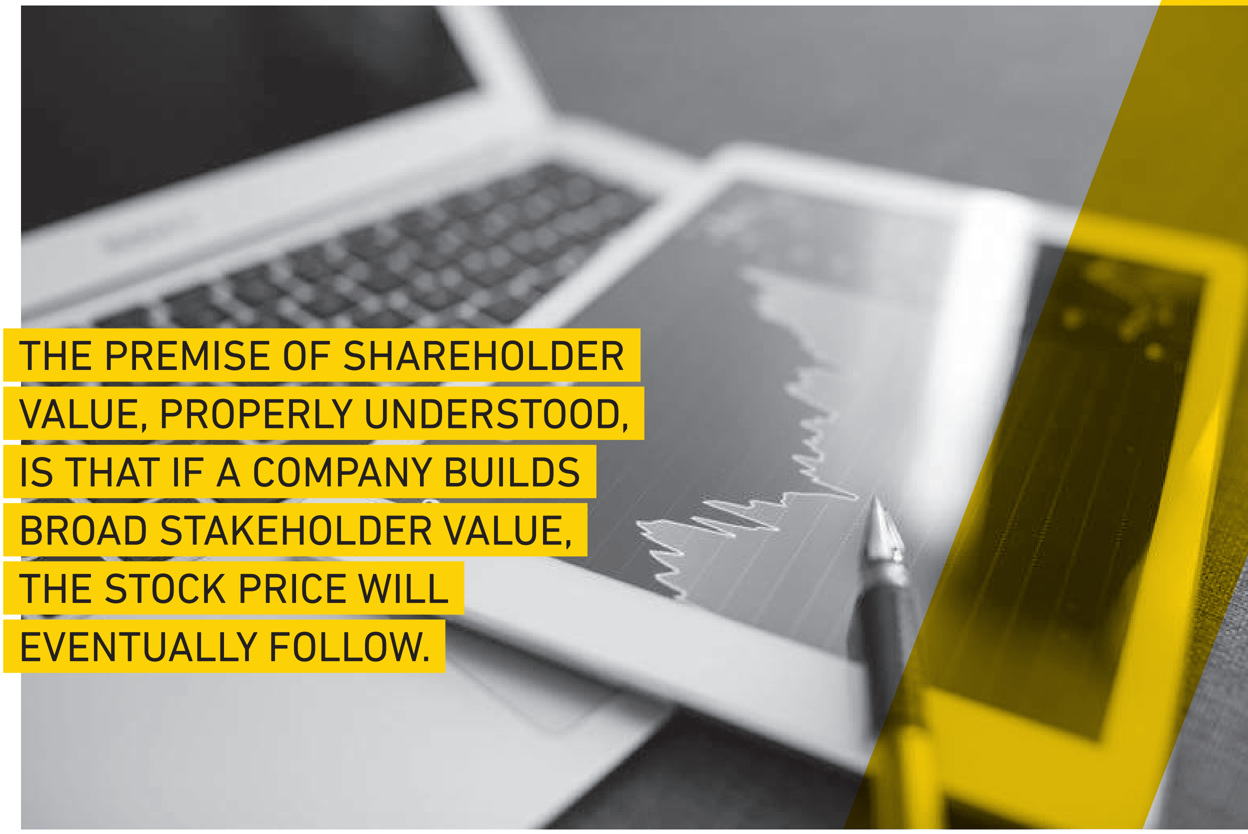
- Performance measurement is now tracked online using automated Objectives and Key Results (OKRs). Group operational productivity has improved by 15% since introducing Agile.

Training

- Ongoing initiatives to increase the number of agile thinking activators across Letshego's footprint were successful in 2021, with more than 40 employees as certified practitioners of train-the-trainer Scaled Agile Framework (SAFe) training
- Other empowerment initiatives include
  - the launch of the LetsGo Digital Mastery programme for external candidates
  - leadership development programmes for both Executive and Managerial employees through Gordon Institute of Business School (GIBS)
  - 25 employees will acquire global expertise through McKinsey's Black Academy
  - the extension of Letshego's online digital learning portal, where all employees have access to over 4 000 globally accredited training and skill enhancing curricula. Currently 71% of employees are learning off the Coursera platform with 45 423 learning hours logged during the year, averaging 26 hours per employee
- Our employees are empowered to grow capability as the company shifts.

Shared Service Centre

- Our Regional Shared Service Centre was established and is servicing approximately 100k transactions per month across the Group
- This central resource will optimise operations and costs for all subsidiaries in the medium to long term.



THE PREMISE OF SHAREHOLDER VALUE, PROPERLY UNDERSTOOD, IS THAT IF A COMPANY BUILDS BROAD STAKEHOLDER VALUE, THE STOCK PRICE WILL EVENTUALLY FOLLOW.

SUSTAINABLE SHAREHOLDER VALUE

WHY THIS IS IMPORTANT

Letshego's shareholders have invested their capital into our business. In the past, shareholder value mainly described a short-term profit orientation. Nowadays the concept increasingly leans towards reflecting the need to act responsibly and sustainably for the Group to ensure its place in the economy in the long term. The premise of shareholder value, properly understood, is that if a company builds value, the stock price will eventually follow. Our objective is to build value and then let the share price reflect that value.

Organisations that are unable to keep up with the trends will eventually become defunct. A core part of our strategy is repositioning ourselves as a retail financial services organisation, not a bank or simply a microfinance institution. We are bringing an array of retail financial services to the market, which will provide more revenue streams and help to retain customers – making the Group more sustainable in the long run.

As we pursue our transformational strategy, our key success measures include the following:

- Our ability to service three key customer segments: mass and middle-income individuals, and the MSE market
- Our product range, which we will expand to include seven main groups over the next five years
- Our market share (both per product and by geography)
- Delivering on our promise of being a purpose driven organisation with sustainable social impact.

Letshego strives to improve lives and achieve a sustainable impact within the markets where we operate. In line with our solution offering and strategic focus on youth, health and education, we align with 11 out of the United Nation's 17 Sustainable Development Goals (SDGs). Letshego's strategy to increase access to simple and appropriate financial solutions for emerging customers aligns with national government mandates to encourage productive use of loans, ultimately increasing income potential, employment levels and sustainable economic development within local communities.

Looking back at Letshego's performance over the last few years shows that enterprise value was being created. We believe that this value creation can be enhanced and escalated, with Letshego's Board paying close attention to the current and future valuation of our business. The Group's share price is already trending up but we believe there is room to realise even greater shareholder value. This is a core consideration as we drive our transformation strategy into higher gear.

2021 PERFORMANCE HIGHLIGHTS

We are making exceptional progress in transforming Letshego into a future-fit organisation that leverages digital, tech and end-to-end automation to unlock significant value, not only for our customers, but also for our investors and shareholders.

Sustainable financial performance

- Profit after tax increased by 16%, with profit before tax at 11%.
- The Group's Capitalisation ratio remained strong at 31%
- Return on Equity ratio improved from 13% to 14% year-on-year while the share price improved steadily over the last 18 month period
- Moody's affirmed Letshego Holdings Ratings at a Ba2 Corporate Family Rating (CFR); Ba3/Not Prime issuer ratings and stable outlook
- Debt-to-Equity Ratio at 149% (FY2020: 118%) still within the Group's appetite
- Declared dividends of 9.7 thebe per share for the period ended 31 December 2021.

De-risking our business

- Asset quality remains strong through improved credit risk management and credit processes. This includes enhanced risk monitoring, frequent stress testing and the progressive digitisation of reporting and data tracking systems
- Letshego remains well capitalised with sound liquidity buffers, and all 2021 maturity obligations were met.

Delivering on our promise to improve lives

- We design our products to drive financial inclusion
  - Customised solutions to support the growth of Micro and Small Entrepreneurs (MSEs)
  - Letshego places a strong focus on empowering women through our offering
- This year will see Letshego launch a portfolio of Programmatic Lending solutions in:
  - Affordable housing
  - Health
  - Education
- We have developed green lending in Ghana for:
  - Green Affordable Housing Development
  - Ecofridges Go initiative
- Letshego has appointed an ESG partner to embed environmental, social and governance best practices into our market operations.
- In 2021, impact surveys were conducted in 11 of our countries, with 2 262 customers interviewed in 14 languages. **82%** of our customers say the quality of their lives has improved as a result of a Letshego loan
- We are empowering our people and customers with future-fit digital and specialist knowledge
- Letshego offers mentorship opportunities to innovators
- Our LetsGo Digital Mall platform is paving the way for greater cross-regional integration of systems, products and delivery for customers
- We are building a #LetsGoNation to support Africa's future.

Our strategy in practice: 6-2-5 'return to growth' roadmap

We crafted a plan with milestones and goals to guide our transformational strategy. This plan is called the 6-2-5 Strategic Roadmap, based on the phases of the project.

6 **Plan 6** constituted the first six months of the roadmap and ran between June and December 2020. It focused on returning Letshego to stability by strengthening our core business (i.e. DAS) and laying the foundation for diversification and digitalisation. We achieved our targets for Plan 6, many of them ahead of schedule.

2 **Plan 2** commenced in 2021. It set out our medium-term goals for the next two years, to be completed by the end of 2022. Plan 2 centres around building the capabilities and platforms that will make Letshego a digital-first organisation. As such, much of our energy will be expended on the technology and processes that enable Agile across the Group.

5 **Plan 5** includes our long-term goals up to the end of 2025. In this phase of the strategic roadmap, scaling up, particularly on the digital front, is the main focus.

The end result will be a transformed organisation with a brand new way of working and the skills and capabilities it needs to thrive into the future.

CREATING A WORLD-CLASS RETAIL FINANCIAL SERVICES ORGANISATION

Short term: Leverage on our strengths to deepen impact

Medium/Long term: Customer, talent, innovation and technology

STRENGTHEN our foundation
- Build on core business, DAS
- Key digital channels to improve DAS productivity
- Diversify solutions & Funding

BECOME customer led
- Invest in Customer Experience
- Leverage on emerging transformative technologies
- Customer led, speed to market
- Enterprise Agility as a methodology.

CREATE the future organisation
- Talent mobility
- Relentless Innovation culture
- Digital delivery – Innovation hubs/ Platform/ Ecosystem thinking

PRODUCTIVITY OF SOLUTIONS — TRANSFORMATIVE TECHNOLOGIES — PLATFORM THINKING →

6 months | 2 years | 5 years

Letshego's second phase of our 6-2-5 strategic execution roadmap, entitled 'Plan 2', commenced in 2021. The duration of this second phase is two years and is characterised by:

- developing a compelling value proposition with broadened product offering
- deepening the Group's investment into differentiating digital and technological enhancements
- spurring momentum in end-to-end automation of processes, systems and platforms
- securing strategic milestones in platforms and products that enable a step change in tangible value for new and potential customers.

Plan 2 is an exciting time for Letshego. Our transformation becomes tangible and we start delivering a new and fully digital organisation. At the end of 2022, we will transition into Plan 5.

INVESTING IN CUSTOMER EXPERIENCE

Plan 2 is the investment phase of our transformation strategy. In this phase, we aim to digitise and automate processes and systems end-to-end, accelerating efficiency across all functions of the business.

Most importantly, this phase is about delivering to our customers. To this end, we are expanding our product set, delivering the platforms that will bring these services to our customers, and fulfilling our vision of becoming a retail financial services provider rather than just a micro lender. This expansion and diversification stand us in good stead in terms of business resilience, particularly against the backdrop of a challenging economic environment.

Letshego has declared 2022 as 'the year of the customer'. Our ambition is to create a digitally led, interconnected ecosystem that improves the lives of our millions of customers across our Africa footprint. Ultimately, our 'LetsGo' platform is the catalyst that will enable seamless customer delivery, link front and back-end processing, while bringing Letshego into the palms of our customers' hands.

ROBUST PROGRESS IN OUR CUSTOMER LED DIGITAL MALL DEVELOPMENT

In the first half of the year, Letshego went live with its LetsGo Digital Mall in 10 markets, following successful pilots in Botswana and Nigeria. The LetsGo Digital Mall is a unifying platform aimed at increasing customer access across multiple channels. The Digital Mall's technical structure is built in such a way as to enable Letshego to build towards our ambition of creating an inclusive one-stop portal. This portal will enable our customers to access Letshego products such as saving, payments, loans and lifestyle solutions, and facilitate access to everyday facilities such as airtime, mobile data and municipal service payments, all in a secured environment.

In essence, we have created a platform that now allows us to scale up in an efficient and cost-effective way and expand our reach.

AT THE END OF 2021, OVER 93 000 CUSTOMERS HAD REGISTERED FOR LETSGO DIGITAL MALL.

GROWING OUR CUSTOMER BASE EXPONENTIALLY

Since launching the LetsGo Digital Mall, Letshego's regional subsidiaries have focused their local campaigns on registering both existing and potential customers on the Mall. At the end of 2021, over 93 000 customers had registered. Within the next 3 months this figure had increased to 500 000. This shows the exponential rate with which our customers are being attracted to the Digital Mall. In addition, during 2021, our digital adoption rate lifted to 78%. This notable increase in a short space of time is a proof point that our strategic delivery is meeting the aspirations of our target customers.

As an example, in Botswana our customer base ranged between 30 000 and 40 000 when we were offering our traditional DAS business. Today in Botswana we have over 110 000 registered customers signed up for the Digital Mall. This goes to show that not only are we moving our existing customers onto the platform, but more than 50% of the customers who are registering are new. Since roll-out to Uganda we now have over 120 000 registered customers. This shows how quickly customers are responding to our digital offering.

We have set a target to grow by 1 million customers by the end of the 2022 period. At present, we are adding approximately new 100 000 customers per month and are well on track to achieve this goal.

GOING BEYOND FINANCIAL SERVICES

Our Digital Mall is intended to be an inclusive platform that provides our customers with a one-stop-shop not only for retail financial services, but for broader Lifestyle experiences. Letshego is innovating and adding interactive solutions into its Mall that go beyond loans, payments and account management into a value stream we call 'beyond financial services' or LetsGo Lifestyle. During 2021, we collaborated with various partners who bring dynamic and inclusive supportive solutions that share our purpose to improve lives. One of these partnerships is with BrandMed, that brings expert healthcare and wellness offerings to the palms of our customers via our existing technology platform.

The Digital Wellbeing Programme being offered on the Digital Mall increases access to Virtual Health care at an affordable rate. By providing dietary guidelines, exercise and movement routines, breathing techniques, life skills, home monitoring solutions and educational insights, LetsGo Digital Wellness can contribute to improved health outcomes for our customers.

Our digital health partnership will be the first 'beyond financial services' or Lifestyle offering to pilot on the Digital Mall, and launched in 8 markets early 2022. This aligns with Letshego's purpose to leverage its strengths and experience to identify new and innovative ways to demonstrate our inclusive philosphies, and improve lives across our communities.

82% OF THE PEOPLE INTERVIEWED SAID LETSHEGO IMPROVED THEIR LIVES. THE LETSHEGO OF THE FUTURE IS ONE THAT HAS SHIFTED FROM A MICRO-FINANCE INSTITUTION INTO A DIGITAL FIRST RETAIL FINANCIAL SERVICES ENTERPRISE – ESSENTIALLY A 'RETAIL TECH' BRAND.

EVOLVING INTO A RETAIL FINANCIAL SERVICES ORGANISATION

In a new normal that rewards access, customised experiences, underpinned by a full suite of choice, Letshego has ambitious targets. Technology will serve as a key enabler for the attainment of those targets.

The Letshego of the future is one that has shifted from micro-finance institution into a digital-first retail financial services organisation – working torwards our ambition of cementing a 'Retail Tech' brand. Our transformation over the last two years has resulted in a physical and institutional mindshift that can be leveraged to maximise the opportunities that our tech-oriented structure, operations and delivery enable.

At Letshego, the term 'tech' refers to the technology that characterises our organisation from the front door at customer delivery, to secured and virtual processing, to the data pools and access channels supporting operations from behind the scenes. It represents system and product automation that thinks for itself, touching and integrating every stream or function across our business and region, thereby securing a differentiated step-change in how our customers access and experience a product.

Letshego is not intending to be a traditional bank, a fintech or a 'dynamic micro finance institution'. Instead, we are a hybrid, with the security and experience of a financial institution, but the adaptability and nimble technology-obsessed thinking of a fintech. Through 'retail tech' we intend to continue improving the lives of mass to middle market individuals and small business owners across the continent.

This is a fundamental shift. The more digital Letshego becomes, the closer we align with world renowned digital companies. As we get to that level, our company valuation is expected to increase significantly.

HYPER AUTOMATED AND DATA DRIVEN

To realise our ambition of becoming a pan-African 'Retail Tech' brand, we need to make sure that our digital agenda continues apace. To that end, we have developed a Target Operating Model (TOM) which is a blueprint of our future operating state. Our TOM introduces a zero operation (Zero Ops) approach that helps streamline and accelerate processes using a combination of tactics to weed out the unnecessary, seek solutions from beyond the industry, automate and digitise activities and data, reorganise people and bolster capabilities. For Letshego, Zero Ops means a fully digital, automated back end that allows us to process at scale without increasing our cost base.

In practice, this means we are not just signing people up to the Mall, but we are using the digital platform to understand what customers are looking for and using this information to enhance our customer's experience. Our data and digital capability to service our customers in record time is intended to be a critical competitive advantage.

We are already piloting our 'Instant Loan' in two pilot markets, Botswana and Uganda. With a few clicks, our registered customers can have their loans approved, upload the necessary documents and see money dispersed into their accounts in record time. If an existing customer already has current documentation on file, they are now receiving cash within 10 minutes. In fact, the average loan approval is currently seven minutes, well under the 10-minute target.

We believe that concluding the pilot and offering loan decisions based on predictive analytics will drive a completely new approach.

Managing the risks associated with an Instant Loan comes down to data, which is what our internal transformation journey has now made possible. Once the required data is in place, we can deploy our credit scoring engine and determine the credit risk of the customer within seconds. The automated credit risk engine covers all the necessary parameters.

DELIVERING SOCIAL IMPACT

The hyper automation that makes products like our Instant Loan n possible, combined with our ecosystem of fintech partnerships, ensures that the Digital Mall can develop into an interactive platform with exponential engagement and empowering financial and lifestyle oriented opportunities. A platform that not only delivers financial support and opportunities, but generates social value and benefits for our customers, wherever they may be located.

The Digital Mall is evolving technology so that Letshego not only offers financial solutions but unlocks greater personal benefits and empowerment opportunities for individuals and Micro and Small Entrepreneurs in being able to access increasing levels of capital thanks to data driven, customised credit scoring tools.

Our 'beyond financial services concept is also one that aligns with our purpose to improving lives, by increasing access to more socially conscious lifestyle and health benefits. In August 2021, we partnered with the International Finance Corporation (IFC) to increase access to Affordable Housing finance for households of individuals in Namibia. Through the partnership, IFC extended the $50 million facility to Letshego subsidiary in Namibia, which will finance housing to over 4 000 Namibians. Although 78% of Namibians have a bank account, only 12% of households have mortgage-financed homes. Most Namibians do not currently qualify for mortgages from commercial banks due to insufficient income.

By partnering with global institutions like IFC, Letshego can support the development of sustainable and responsible housing and access to appreciating personal assets for more individuals. We believe that our Affordable Housing offering makes it possible for our customers to buy houses at prices they can afford. We are working with developers and qualified engineers to plan houses that are simple and affordable for this customer base, and long lasting so future generations of our customers may enjoy and benefit from the products Letshego offers today.

Currently, Affordable Housing has been launched in four out of Letshego's 11 markets – Uganda, Tanzania, Kenya and Namibia – with our other markets to follow.

While launching our Affordable Housing programme, we signed up with a fintech partner to enable us to be able to process the housing facilities at a much faster rate. Traditionally, it took about 90 days to process the documentation for a housing loan. Letshego has brought that number down to 30 days and we are working to reduce it further.

Our programmatic approach is not just about offering much needed solutions, it is about transforming the way these are delivered, making the process more digital and more accessible to our customer base, and leveraging an ecosystem of partnerships. Although our emphasis on social impact is key, these programmatic loans must also deliver commercial value.

During the year ahead, we intend to enhance our programmatic offering in education, health and agriculture and bring more solutions onto our digital platform. As we build the Mall, we are adding the capability that will meet what our customers tell us they want. By constantly improve the experience of the Mall, we make it easy to join, easy to use and easy to win.

IN SUMMARY

During 2021, we made exceptional progress towards realising our ambition of our becoming a customer led retail tech organisation:

- Our Digital Mall allows us to engage with customers more closely than ever before
- We are transforming into a data driven organisation
- Our programmatic approach has broadened to include health, education, agriculture and 'green' technology
- We are embedding our Target Operating Model (TOM) with a Zero Ops approach
- Hyper-automation is ongoing, within a strong fintech ecosystem
- We are entrenching Transformative Risk Management

LOOKING AHEAD: SHIFTING GEARS AT LETSHEGO

Letshego is starting to realise the benefits of the investments we are making. We are shifting in terms of the scale of our business, the capabilities we bring to our Digital Mall, the way our customers experience us and the social impact that we are able to generate. In addition, our LetsGoNation community is intended to be a driver of African development.

By 2023, as we enter plan 5, Letshego will have created substantial value through our ability to access, communicate with, and service our customers. It has become clear that opportunities are growing as we evolve the platform. The number of partners who want to tie up with us are significant, while the level of trust that we are building with customers grows continually.

Letshego is investing at a much faster pace than we had anticipated to maintain this traction, which will increase our costs in the short term. However, as new products gain traction, our income is expected to grow in response.

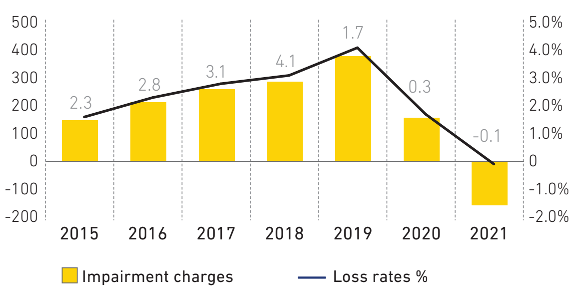
PERFORMANCE

Key performance metrics

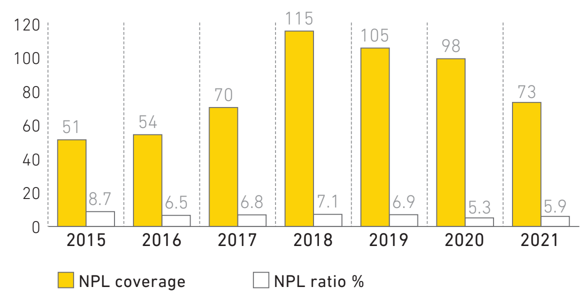
ASSET QUALITY

The Group's Asset Quality remains stable with a marginal increase in non-performing loans (NPLs) to 5.9% for the period under review (FY2020: 5.3%). This slight increase in NPLs was driven by ongoing economic challenges experienced by the MSEs in Letshego's East and West Africa portfolios. Recoveries within these MSE sectors remains gradual.

IMPAIRMENT CHARGES AND LOSS RATES



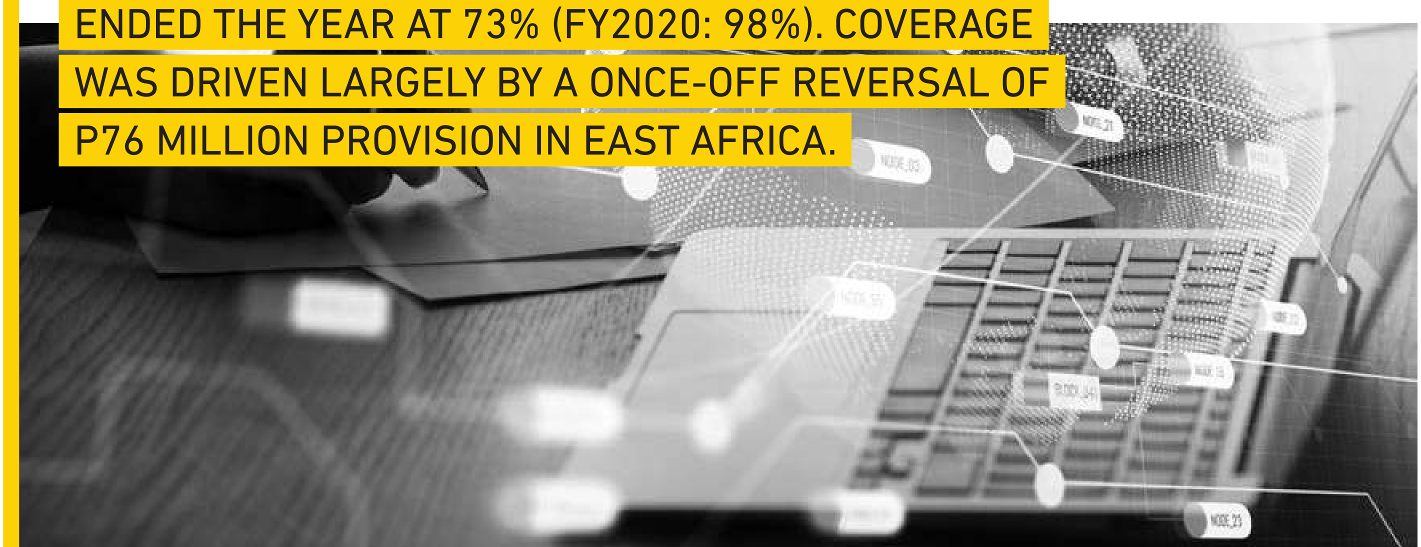
NPL PROVISION ADEQUACY %



Letshego's NPL impairment coverage ratio ended the year at 73% (FY2020: 98%). Coverage was driven largely by a once-off reversal of P76 million provision in East Africa. NPL levels in larger portfolio markets (Botswana and Namibia) stabilised, leading to an improved Loss Given Default (LGD). This, coupled with tight portfolio risk management processes, provide an opportunity for the Group to strengthen coverage levels further in 2022, with minimal impact on the Group's profit and loss statement.

Asset quality	FY2021 %	HY2021 %	FY2020 %	HY2020 %	FY2019 %	HY2019 %	FY2018 %	FY2017 %
Portfolio at risk – 90 days (NPL)	**5.9**	5.6	**5.3**	7.9	**6.9**	7.3	**7.1**	**6.8**
Portfolio at risk – 30 days	**9.2**	8.7	**8.3**	11.2	**10.0**	10.6	**10.4**	**9.9**
Non-performing loan coverage ratio	**73**	92.0	**98.0**	103.0	**112.0**	109.0	**115.0**	**70.0**
Loan loss rate – actual	**-0.1**	1.4	**0.3**	1.4	**1.7**	2.5	**4.1**	**3.1**
Loan loss rate – excluding once-off items	**0.5**	1.9	**1.8**	1.4	**1.7**	2.5	**2.0**	**2.5**

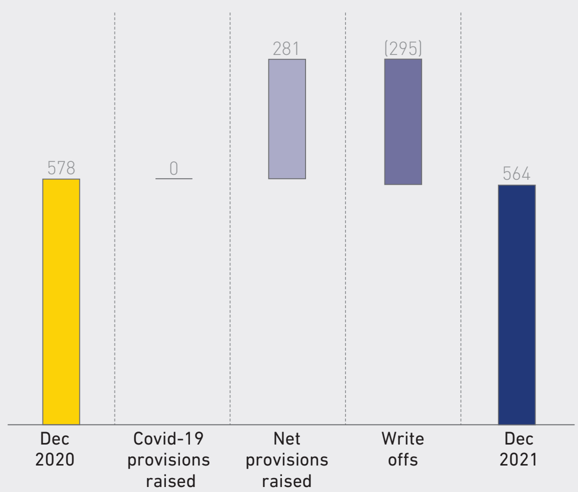
LETSHEGO'S NPL IMPAIRMENT COVERAGE RATIO ENDED THE YEAR AT 73% (FY2020: 98%). COVERAGE WAS DRIVEN LARGELY BY A ONCE-OFF REVERSAL OF P76 MILLION PROVISION IN EAST AFRICA.



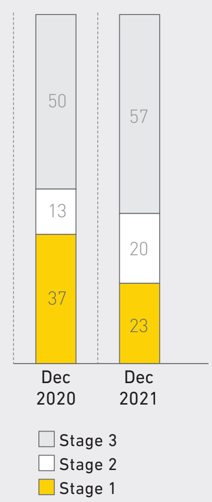
EXPECTED CREDIT LOSS (ECL)

Expected Credit Losses for the year were low and aligned with the Group's credit risk profile – with the majority of its aggregated portfolio in Deduction at Source (FY2021 86% Deduction at Source). Credit portfolio indicators remain robust, indicative of Letshego's continuous enhancement of its credit risk management framework, strengthened credit risk governance and improvements in risk infrastructure.

ECL MOVEMENT P'm



ECL SPLIT %



ECL SPLIT AND COVERAGE RATIOS

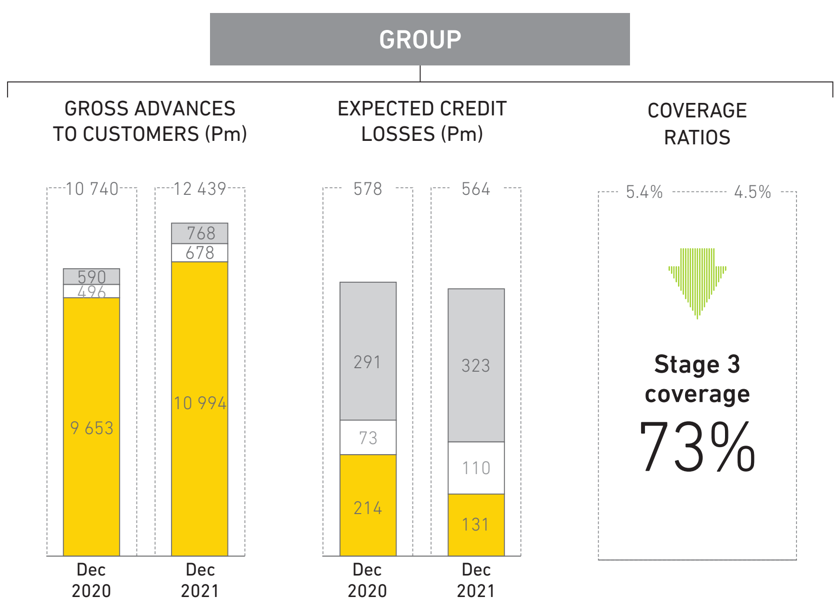
Stage 1 refers to our performing loans. These increased as a result of:

- growth in the DAS portfolio on the back of our digitisation strategy
- introduction of individual lending in Botswana based on credit scoring implementation.

Stage 2 also increased slightly due to MSE credit risk rising

Stage 3 includes loans past due for 90 days and above. The increase was driven by the impact of the COVID-19 third wave on our MSE portfolio. Investments in collections and recoveries continues.

The Stage 3 loan coverage is one of our most important metrics – with a 100% score indicating that all the most likely bad debts are covered. We are pleased with the 73% score, considering that the DAS portfolio makes up the largest portion of our book.



EFFECTIVE TAX RATE

Letshego's Effective Tax Rate for the year improved by 3% to 36% (FY2020: 39%), attributable to a variety of financial factors. Although dividends from subsidiaries increased to P585million, the Group benefited from some relief from double tax agreements with other jurisdictions. In 2021 tax provisions decreased to 3%. Intra-Group charges increased by 6%, hence the intraGroup contribution to ETR increased to 5% from 4% in FY2020.

The components of the ETR are broken down as follows:

Components of the effective tax rate	31 Dec 2021 %	31 Dec 2020 %
Baseline tax charge	**28**	28
Dividends from subsidiaries & preference shares	**3**	4
Intergroup costs	**5**	4
Tax Provisions	**0**	3
Effective tax rate	**36**	39

FUNDING

Ongoing commitments to diversify the Group's funding base have been successful, including a shift towards unsecured funding lines, supported by increasing customer deposits. By increasing its overall quantum of funding, the Group has made strong progress in balancing funding sources. Wholesale bank funding reduced by 2% down to 39% of Letshego's total funding portfolio, while Development Finance Institution (DFIs) funding increased to 25% of the Group's total funding portfolio (FY2020: 21%).

The Group's overall funding pipeline from regional banks and DFIs remains strong as we continue to rollout programmatic lending and enhance our environmental and social governance tracking.

FUNDING

- Concluded P3.7 billion of new facilities and rollovers
- Significant progress in long term debt funding increasing to 64% from 56%
- Commercial Bank debt reduced from 41% to 35%
- DFI debt increased by 71% to P2.3 billion

DEPOSIT MOBILISATION

- Retail deposits increased by 36% to P429 million
- Corporate deposits increased by 114% to P747 million
- Deposit base increased by 77% to P1.2 billion

CREDIT RATING

- Ba3 (stable) outlook issuer rating affirmed by Moody's
- Ba2 Corporate Family Rating (CFR) assigned
- Cash reserves on hand P1.4 billion
- Secured debt reduced to 15% from 49%

The value of bond funding increased 20% year-on-year, supported by Letshego Namibia's first issuance in May, raising P171 million.

Local currency borrowing increased 85% year-on-year (FY2020: 78%) following vigilance in reducing hedging costs and foreign exchange rate risk. Increasing funder confidence is evidenced in debt maturities extending beyond 3 years, and secured debt halving year-on-year to 21% (FY2020: 49%). Overall cost of funds reduced by 47 basis points in the reporting period, driven largely by a steep growth in deposits.

Liquidity is stable with year-end cash and cash equivalents at P1.4 billion, with liquidity buffers in place.

TOTAL OPERATIONAL EXPENSES

Total operational expenses increased 12% year-on-year in line with the Group's stipulated five year Transformation Strategy, driven by a clear digitalisation agenda. Additional costs were also incurred following adjustments in Namibia's insurance arrangements.

Savings were achieved as the Group shifts from establishment to maintenance of its COVID-19 pandemic planning, thus creating additional capacity for digital investment. Employee costs increased by 11% year-on-year supporting the acquisition of specialist and digital skills needed to support our digitalisation, risk management and overall transformation strategy.

SAVINGS WERE ACHIEVED AS THE GROUP SHIFTS FROM ESTABLISHMENT TO MAINTENANCE OF ITS COVID-19 PANDEMIC PLANNING, THUS CREATING ADDITIONAL CAPACITY FOR DIGITAL INVESTMENT.

CAPITAL LEVELS

A capital optimisation plan is underway with focus on sustainable shareholder value, through ensuring all subsidiaries have adequate capital for growth and for exploring value creating acquisition and dividends. Rwanda and Tanzania Bank were capitalised during the course of the year, with Nigeria and Uganda to be capitalised for growth in 2022.

Letshego remains well capitalised at a 31% capitalisation ratio and has a strong liquidity position to support future business growth.

CAPITALISATION RATIO

Value streams review

LENDING

DEDUCTION AT SOURCE (DAS)

DAS loans remain at the core of our business, comprising 86% of the Group's overall lending portfolio (FY2020: 89%). During the year under review, our DAS net loan book values grew 14% year-on-year to P10.5 billion (FY2020: P9.1 billion). Double digit growth in profit before tax resulted in a 20% increase to P1.2 billion (FY2020: P1 billion) for the segment. Letshego's top profit-generating markets, Botswana, Namibia and Mozambique, performed well over the full year period.

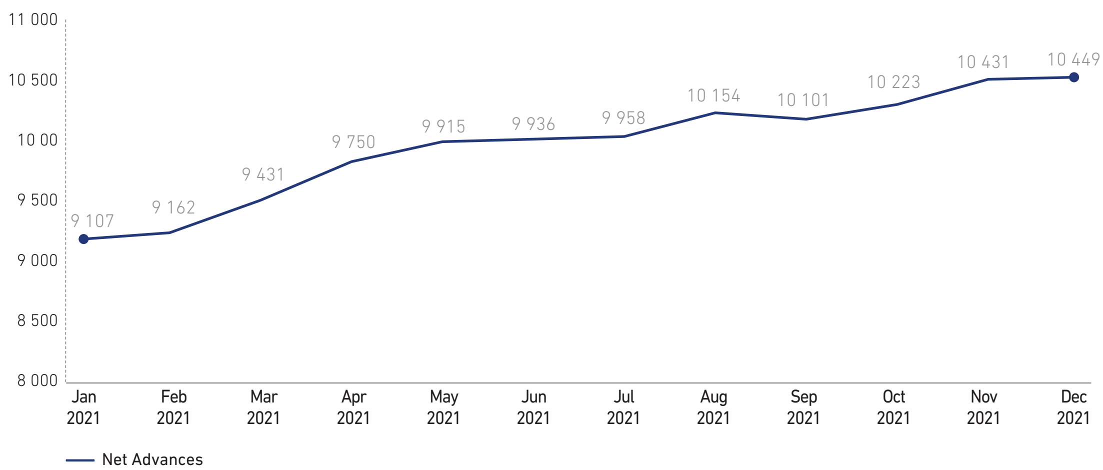
Our DAS loans remained resilient, with public sector jobs largely unaffected by the COVID-19 pandemic and ensuing economic fallouts. In an effort to mitigate risks associated with unpredictable pandemic environments, the Group is prudent in curtailing new loan growth in higher risk segments and geographies, while prioritising portfolio remediation and collection efforts.

With Letshego's 'LetsGo' Digital Platform now live in 10 markets, our DAS loans have become available in a wider range of accessible options, enabling existing and new customers to register online, access new DAS lending solutions, track their loans and update account information via their mobile phones. This aligns with our strategic objectives and track record for approving loans with speed.

Digital adoption was spurred by greater volumes of loan applications received via digital channels, with highest trends being seen in Nigeria, Namibia and Botswana. 78% of DAS customers are now active across various digital channels.

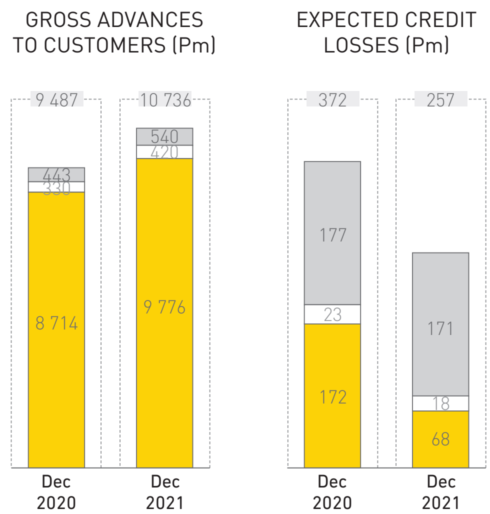
At a physical branch level, we are prioritising the digital education of our core customers. Our Direct Sales Agents (DSAs) have been trained into 'digital eagles', who demonstrate that online applications are easy, safe and convenient.

OVERALL DAS PERFORMANCE Value (BWP Mlns)



Coverage ratios

We view DAS loans as low-risk, since the deductions take place before salaries are paid out and the deductions often come straight from government employers. We are comfortable with 48% Stage 3 coverage for DAS.

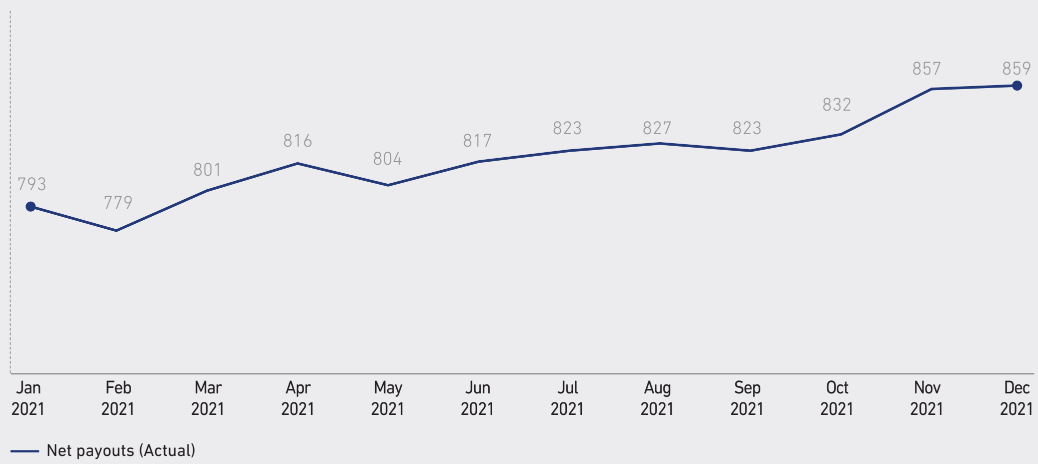


MSE AND SECURED LENDING

Letshego's most vulnerable product segment in pandemic conditions remains its portfolio of Micro and Small Entrepreneurs (MSE), comprising 8% of the Group's total portfolio. Recovery of this segment was gradual throughout the year following intermittent pandemic containment measures that prevailed across select countries in 2021.

MSE net loan book values increased 7% year-on-year to P859 million (FY2020: P806 million). The segment's profit before tax decreased by 59% to P22 million (MSE PBT: FY 2020 P54 million).

NET LOAN BOOK GROWTH (BWP millions)

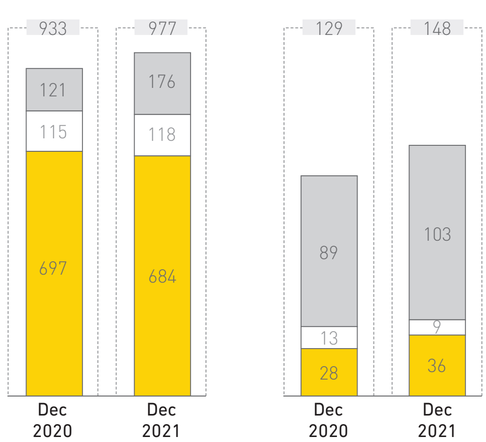


Coverage ratios

Our MSE book is one of the riskier books. Stage 3 coverage remains strong and above 80% after inclusion of collateral in ECL model.

GROSS ADVANCES TO CUSTOMERS (Pm)

EXPECTED CREDIT LOSSES (Pm)



PROGRAMMATIC LENDING

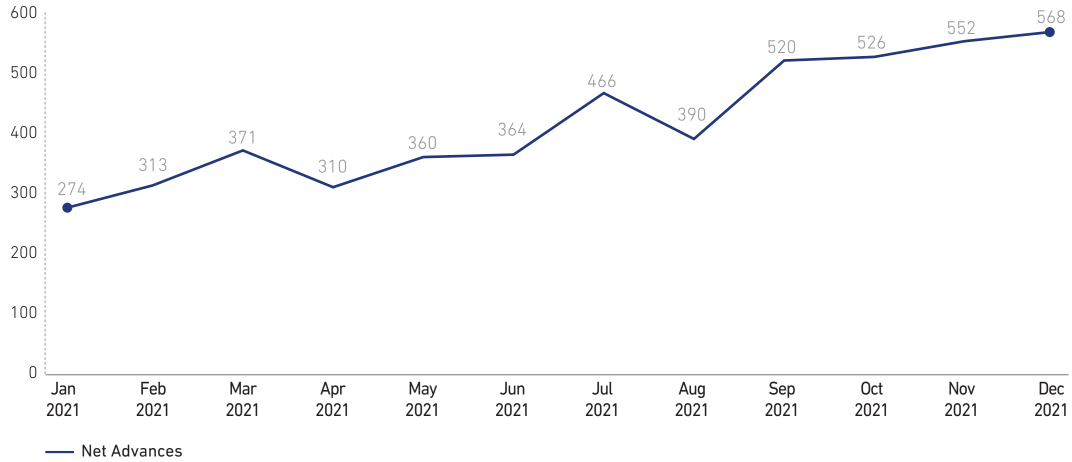
Following the appointment of the Head of Group Programmatic Lending, Letshego's 'Programmatic Approach' is gaining momentum ahead of launch. Programmatic lending is a commercial product offering that achieves demonstrable sustainable and social impact by leveraging extensive market research and technical assistance. As a first Letshego instance, Namibia secured USD50 million from the International Finance Corporation (IFC) to kick start the development of its first Affordable Housing offering, while Ghana laid the foundations for its Affordable Housing launch in H1 2022. Botswana is on track to roll out its Educational Loan portfolio before June 2022.

MOBILE MASS BUSINESS

Mass Mobile Lending has shown resilience through the pandemic, given its ease of customer access, as well as enhanced credit management and credit automation processes. Our net loan book value for the mass customer lending portfolio more than doubled to P568 million (FY2020: P231 million).

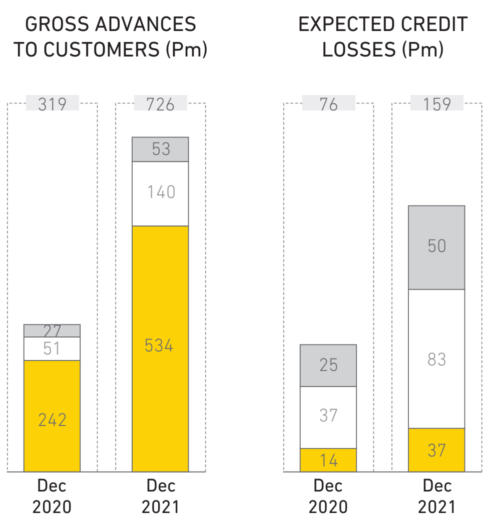
The migration of this segment to digital channels, along with the conclusion of Letshego's predictive scoring technology is expected to boost cost and profit efficiencies in the medium to longer term.

OVERALL MASS MOBILE PERFORMANCE Value (BWP Mlns)



Coverage ratios

As our mobile loans is seen as a riskier book, we are pleased to easily exceed a 100% coverage ratio for our Stage 3 loans.



SAVING

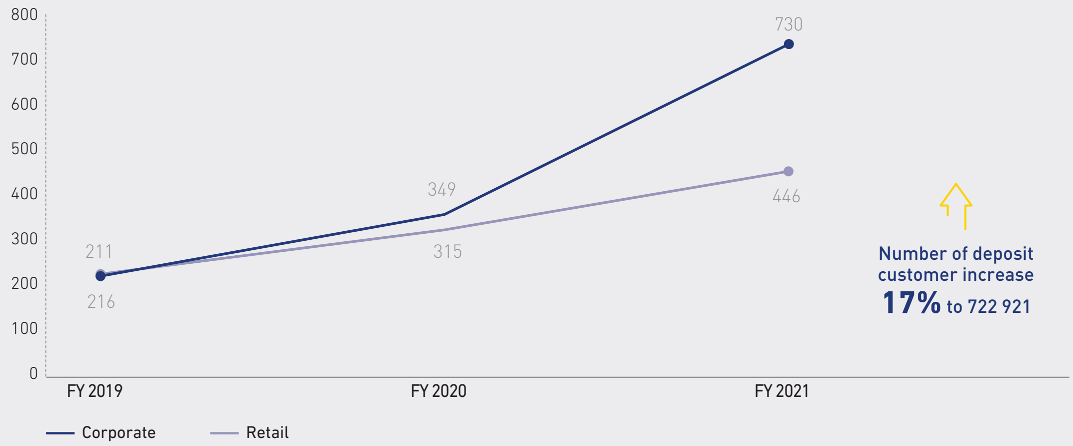
2021 was a milestone year for Letshego's Savings and Deposit segment, crossing the P1billion mark in portfolio value, and increasing 77% year-on-year to P1.2 billion (FY2020: P664 million). Key drivers of growth were small institutional investors in Mozambique and Namibia (average deposit P950K) and middle income retail customers (average deposit P3 000). Operational efficiencies over the period saw the segment reduce its costs by 100 basis points, with final quarter on quarter growth measuring the highest trajectory at 14% growth.

LetsGo Save retail deposits grew 41% year-on-year to P445 million (FY2020: P315 million), with growth spurred by Mozambique and Namibia. 2021 saw the launch of innovative crowd funding initiatives on Letshego's Digital Mall to boost retail deposits in Ghana and Namibia, with other markets to follow in 2022. Corporate deposits increased by 109% to P730 million (FY2020: P360 million).

In Tanzania, our Timiza Akiba mobile money savings solution is available to all Airtel Mobile Money customers. The fee-free savings solution offers customers a monthly sum as a reward for saving towards a financial buffer or goal, ultimately encouraging and supporting the growth of healthy savings.

Deposit mobilisation remains a priority for the Group, as this ties in with improving lives and making social impact. Focused initiatives to grow the deposit base planned for 2022 include digitalising micro-saving solutions, salary domiciliation, development of our LetsGoPay payment ecosystems on the digital Mall and growth in strategic partnerships.

DEPOSIT VALUES GROWTH



Number of deposit customer increase
17% to 722 921

TOTAL DEPOSITS

77%

P1.2 billion

Dec 2020: P664 million

TOTAL CUSTOMERS

17%

722 921

Dec 2020: 619 481

MIDDLE RETAIL SEGMENT GROWTH

70%

P445 million

Dec 2020: P261 million

INSTITUTIONAL SEGMENT GROWTH

109%

P730 million

Dec 2020: P350 million

TRANSACTING

Our existing LetsGoPay Card and USSD value propositions showed robust performance with card customers increasing by 142% to 84 526 (FY2020: 34 941) and USSD customers increased by 23% to 119 930 (FY2020: 95 527). Active 30 day usage across current LetsGo Pay channels doubled in the prior year, spurred by more customers seizing access advantages across digital channels. Digital or mobile phone accounts were rolled out in Ghana and Mozambique, and inward remittance services also added to Mozambique's local offering.

Letshego aims to increase our transactional capabilities, in line with our strategy to become a world class retail financial services institution. During 2021, we partnered with Panamax USA to bring a new 'LetsGoPAY Digital Account' to customers across Letshego's regional footprint. By digitising our payment solutions Letshego can improve access, increase efficiencies and enhance security for our customers. Panamax's world-class platform is an ideal fit and resonates with our purpose to improve lives while supporting regional governments to grow the benefits of cashless economies.

In addition, our 'LetsGoPAY' Digital Account launched in Namibia and Ghana towards the end of 2021. Once the pilot is finalised, we will start scaling the digital payment account across all countries.

INSURANCE

While most of our loans have credit insurance embedded in the repayment terms, Letshego now offers insurance as a standalone product as part of our comprehensive digital offering. Insurance growth for the year under review was driven by the launch of short term insurance in three markets – Namibia, Kenya and Tanzania, with non-core revenue growing 22% from the prior year to P200 million (FY2020: P154 million).

The Group also concluded a strategic insurance partnership during the year that will see six digital insurance products available on our Mall by end-2022. We expect insurance uptake to increase as we unveil offerings in the Digital Mall.

Our digital Insurance proposition supports our objective of Improving Lives through Instant digital access to Insurance; fast Claims resolution; simplicity and transparency and Affordable premiums.

LOOKING AHEAD: LIFESTYLE SOLUTIONS

The year under review created momentum towards a more diversified and digitalised product offering. Our digital platform also leaves the Group well positioned to capture opportunities beyond our traditional financial solutions.

Following a period of research and development, value-adding lifestyle services and products will become available on the Mall during 2022. In collaboration with key partners and fintechs, we aim to provide offerings in wellbeing, education and personal finance solutions.

In December 2021, Letshego signed an agreement with BrandMed to bring a digital wellbeing offer to our customers.

People and culture

Our vision to become a world class retail financial services organisation is embedded in our human capital strategy and organisational culture, and directs our daily activities. As a valued member of the Letshego team, each of our employees is cognisant of the important role they play in bringing our vision to life.

	NUMBER OF EMPLOYEES AT 31 DECEMBER 2020	EMPLOYEES HIRED DURING THE YEAR	EMPLOYEES LEFT DURING THE YEAR*	NUMBER OF EMPLOYEES AT 31 DECEMBER 2021
GROUP	**162**	**57**	**6**	**213**
Botswana	148	4	3	149
Namibia	152	20	15	157
Lesotho	40	6	1	45
Eswatini	27	1	1	27
Mozambique	171	8	10	169
Kenya	171	11	26	156
Rwanda	50	4	2	52
Uganda	251	0	59	192
Nigeria	281	29	28	282
Tanzania LBT	128	4	53	79
Tanzania Faidika	86	5	32	59
Ghana	189	10	14	185
TOTAL	**1 856**	**159**	**250**	**1 765**

* *Voluntarily or due to dismissal, retirement, or death in service*

OVERALL EMPLOYEE GENDER PROFILE

52% **MALE**
2020: 49%

48% **FEMALE**
2020: 51%

EMPLOYMENT STATUS

1 765 **PERMANENT**
2020: 1 856

362 **TEMPORARY**
2020: 83

OVERALL EMPLOYEE AGE PROFILE

<30	30-40	40-50	>50
14%	63%	19%	4%

GENDER SPLIT BY LEVEL OF SENIORITY

Senior management
65% **MALE**
2020: 69%
35% **FEMALE**
2020: 31%

Management
62% **MALE**
2020: 58%
38% **FEMALE**
2020: 42%

Employee
47% **MALE**
2020: 46%
53% **FEMALE**
2020: 54%

OVERVIEW

Our People and Culture philosophy is built around the strategic imperatives of attracting, developing and retaining the World-Class talent we need to deliver on our mandate. Providing a safe working environment, embedding a performance-driven culture, investing in learning, development and a pipeline of talent to meet the future needs of the business, are critical to building value and achieving our objectives.

2021 FOCUS AREAS

During 2021, we focused on driving our people-first agenda. Our aim was to build capacity and capability for enhanced customer experience, which entailed ensuring functional excellence within the People and Culture (P&C) department. Our employee experience and people practices are evolving as we execute against our 6-2-5 strategy. As part of this effort, we redefined our people and culture roadmap to focus on three primary pillars:

- World class people
- World class leadership
- World class people and culture, systems and processes

Building world class people

Our focus during 2021 was the implementation of strategic objectives aligned to our 6-2-5 Transformation Strategy. To achieve this, we launched several initiatives aimed at developing a strong and future-fit workforce. Such initiatives included training, learning and development and performance management. Following the launch of Letshego's Digital Learning platform in partnership with Coursera, all employees can now access world-class accredited courses, across a wide range of expertise, at the click of a button, 24/7. There has been a 97% adoption rate of the platform, with 45 423 learning hours logged on self-led learning. This translates to 26 hours per employee Group-wide.

The competition for skills in our sector is high and employees are more mobile than ever. Letshego is not immune to this competition and as such we continue to find ways of attracting and retaining the talent we require. We have undertaken a staff augmentation exercise with the aim of ensuring we have a steady and sufficient complement of digital skills in all our markets. We continue to focus on geographic rebalancing as we resource for critical skills.

Currently, 21% of key digital skills are in our Eastern and Western hubs. This demonstrates an upward trend in distribution of critical skills in other markets outside of the Southern African Hubs.

Building world class leadership

A strong part of our People First agenda is building leaders that will drive the transformation programme. To this end, in addition to the existing partnership with the Gordon Institute of Business Science (GIBS), Letshego has partnered with McKinsey to offer a superior leadership development programme for building world class business leaders. The first cohort of Letshego candidates enrolled during 2021.

Building a world class People and Culture function

Our digital perfromance management module of the Objective and Key Results (OKR) was successfully rolled out in 2021 to enable fully automated end to end performance reviews at both corporate and individual level. This is a significant milestone as it reinforces a positive performance culture underpinned by transparency and objectivity, while also ensuring a strong focus on results and tangible outcomes. Further, the system enables robust employee engagement, reduces the cost of surveys and allows quick ideation. It also enables reporting and strategy tracking for all levels of the organisation to increase visibility, transparency and linkages across various Group functions.

Governance and risk management are key imperatives in building a world class P&C function. To this end, our 2021 focus was on installing measures to ensure that we track implementation of the People Risk Framework for all countries. We are satisfied with the overall risk rating achieved by P&C.

ORGANISATIONAL RESTRUCTURING

In 2020, Letshego embarked on an exercise to define a new organisational model and structures. We're aiming to align organisational design across our markets and embed an optimal organisational structure that will enable us to deliver on our strategy. This new organisational model and structure was implemented at Group level, with the objective of cascading the new model and structures to the subsidiaries. The exercise has created an opportunity for subsidiaries to bring in new skills and capabilities, embed agile ways of working, while improving productivity through employee skill and role refinements. Three subsidiaries, Uganda, Letshego Bank Tanzania and Tanzania (Faidika), embarked on a voluntary separation exercise in order to achieve the optimal headcounts required by the business.

We have also unearthed latent talent within our ranks and placed potential high achievers in new roles. In the medium term, as we begin to streamline and automate most of our processes, we expect to see lower servicing costs, centres of excellence that deepen skills, and improved customer experiences.

In terms of leave management, in 2021 employees were encouraged to take leave and rest. As a result, far more leave was taken than in previous years, which has helped to enhance productivity.

EMPLOYEE ENGAGEMENT

In December 2021, Letshego conducted an employee engagement survey, with the objective of gaining insights into employee experiences, culture and leadership impacts. The survey also provides an eNPS score based on willingness to recommend the organisation as a good place to work, with Letshego scoring a healthy 8. The overall engagement score for the organisation represents the proportion of employees that are considered to be engaged. In 2021 we measured 65.8%, which was a drop from our 2020 engagement score of 70%, although that was a highly unusual year.

In addition, employee engagement and the adoption of Enterprise Agility methodologies continued to expand across Letshego's markets, functions and segments via online 'Lunch & Learn' sessions. To date, 30 certified squads representing employees from multiple markets and functions now support the swift execution of strategic goals and digital project roll outs. These squads and Agile Ways of Work have contributed to an average increase in operational productivity of more than 15% Group-wide.

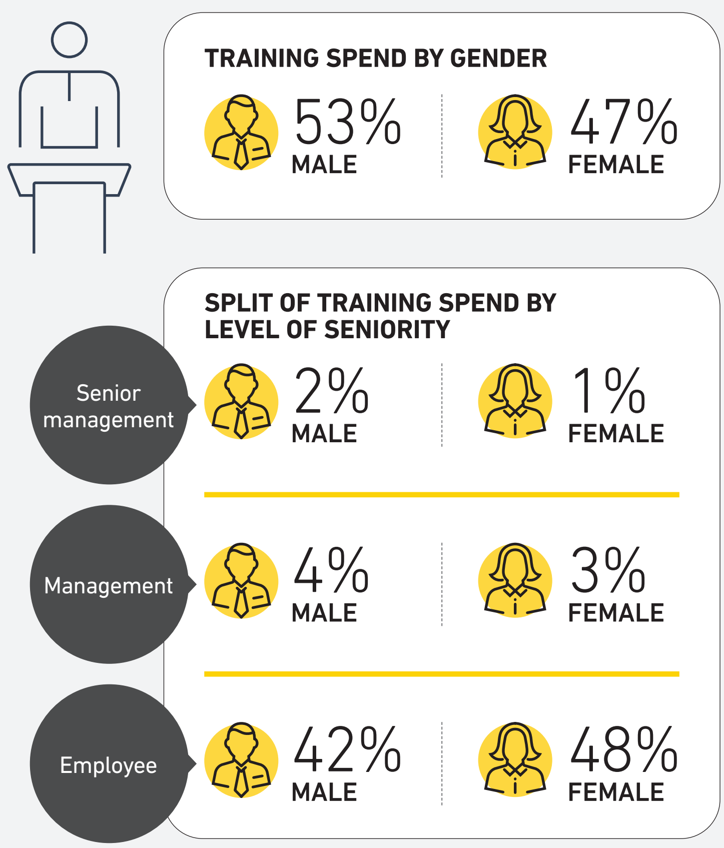
Overall, our efforts to support our people and give them more flexibility has resulted in higher engagement and retention scores, without sacrificing productivity.

LEARNING AND DEVELOPMENT

We contribute to the upliftment of our workforce through various training and development interventions. While COVID-19 came with travel restrictions, we were able to implement a digital learning platform that enabled us to provide learning and development opportunities to all employees at a lower cost. The roll out of the Coursera Digital Learning Platform was done in May 2021 and at end of the year the uptake was at 97%. The platform provides more than 4 500 courses and these are now at the fingertips of all employees. Courses provided through the platform include cyber security, leadership development, lean and agile as well as a variety of general courses. To date, a total of 1 078 employees have completed at least one course. Further, a total of 3 414 courses and 45 423 learning hours have been completed.

In addition, we partnered with GIBS to develop our business leaders. Through the partnership, we have trained senior leadership on various topics aligned with the strategic imperatives of the business. GIBS courses also incorporate 360° leadership assessments. In 2021, 107 delegates enrolled at the institution across three programmes. A further 29 delegates participated in the GIBS executive leadership development programme.

Our Enterprise Agility transformation has continued to deliver consistent results through rapid deployment of product, features and strategic initiatives across the Group. Some 441 employees have been trained on Agile Ways of Work, along with 40 certified practitioners in the Scaled Agile Framework (SAFe).



HEALTH AND WELLNESS

We believe the well-being of our employees is an important matter that extends beyond physical health. As such, we engaged the services of ICAS, which provided the Group with an Employee Assistance Programme (EAP) and a range of services including counselling, health-related updates and advice through various communication channels to all employees. According to ICAS reports, Letshego utilised the ICAS EAP above the ICAS average market utilisation rate, which demonstrates the level of engagement among our employees.

We also introduced diverse and compelling employee well-being initiatives to keep our people engaged as we transitioned into the new ways of working brought about by our strategic transformation and the COVID-19 pandemic. Examples include resilience training, managing teams in remote working environments, and health and wellness programmes.

ONGOING IMPACTS OF COVID-19

We have taken a proactive approach to handling the ongoing impacts of the COVID-19 pandemic. A dedicated task team continued to manage the business environment and implement precautionary measures to mitigate the spread of the virus. A business continuity and pandemic management plan is in place.

COVID-19 vaccinations were rolled out in 2021. On average, as at 31 December 2021, the Letshego vaccination rate was 61.28%, with eight of our countries being at 70% and above. Employees are encouraged to take all the vaccinations, and we don't allow unvaccinated employees into our offices.

Employees who tested positive were provided with COVID-19 packs consisting of vitamins, sanitizers, and oximeters, supported by regular telephone follow ups. All Letshego employees were also provided with oximeters so that should anyone develop flu like symptoms, they will be able to check their oxygen levels, and seek medical attention if necessary. Overall, we have embraced new ways of working, and going forward we will monitor staff productivity when working remotely.

LOOKING AHEAD

Our investment and commitment to safeguard our employees and retain jobs and salaries during the volatile period greatly improved employee engagement and retention. The rapid transition to remote working was handled with due care and accessibility by leadership.

As we adapted to our new ways of working, we also used the opportunity to review our employee value proposition (EVP), particularly how we articulate the employee experience we seek to create. We recognise the value of creating compelling employee experiences, providing opportunities to contribute that have meaning to our people, and connecting our employee experience to our broader business brand and purpose.

This is a critical feeder into our people strategy for coming years that will drive innovation and skills development. During the next year, we will be focused on how best to implement our revised EVP.

We will also continue to monitor our performance and embed a value-driven performance culture in the organisation. Further, we will retain focus on identifying ways in which our P&C function can support the corporate plan and overall mandate of the Group. Key deliverables for the financial year include:

- Continued implementation of our talent management and succession plans
- Launching the inaugural Digital Mastery Programme and recruiting our first cohort
- Driving a high-performance culture.

Implementing organisational climate and culture initiatives.

Information and communications technology

LEVERAGING TECHNOLOGY FOR ACCELERATED GROWTH

Letshego is deeply committed to embedding a culture of innovation and creativity. Our innovations are inspired by the societal challenges we face, coupled with opportunities we identify both in our internal and external operating environments. By exploring cutting-edge technologies and leveraging unique data-driven solutions, we remain at the forefront of digital trends and innovation, unlocking value for our customers and our business.

ICT HIGHLIGHTS 2021

- **ACHIEVED**
  36.7%
  automation toward Straight Through Processing across the Group

- **ACHIEVED**
  35%
  reduction in loan approval turn around time (TAT) across all markets

- **INTRODUCED A**
  10-minute loan
  in Uganda reducing TAT by >99% for qualifying customers

- **ACHIEVED A**
  14.7%
  improvement in operational productivity across the Group

- **AN ESTIMATED**
  30%
  of RPA solutions for the Group were developed by internal resources

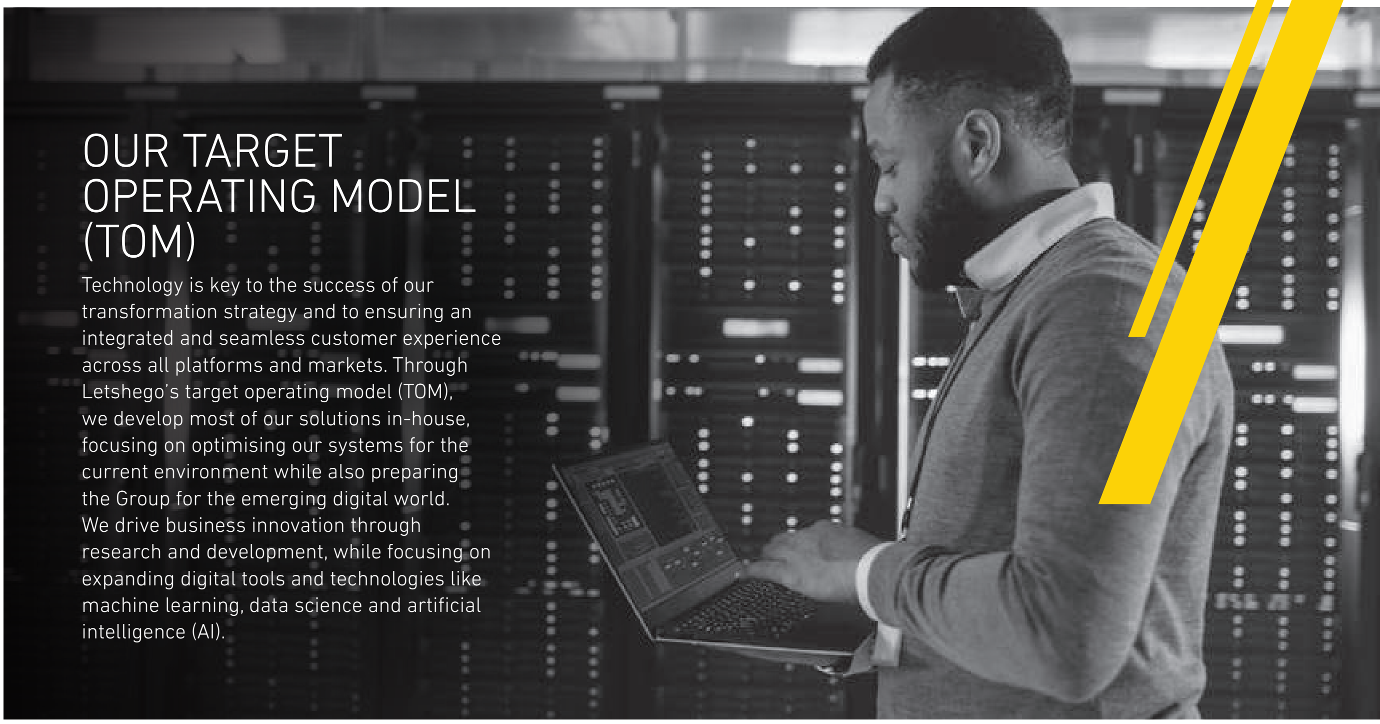
- **DELIVERED A SAVINGS OF APPROXIMATELY**
  25 000
  working hours through automation solutions

- **A TOTAL OF**
  53
  Agile Practitioners were certified

- **A TOTAL OF**
  121
  employees trained at certification level

- **A TOTAL OF**
  354
  staff trained on Agile Ways of Work

- **INTRODUCED DIGITAL OBJECTIVES AND KEY RESULTS HR SOLUTION**
  to align and support corporate, team and individual strategic delivery

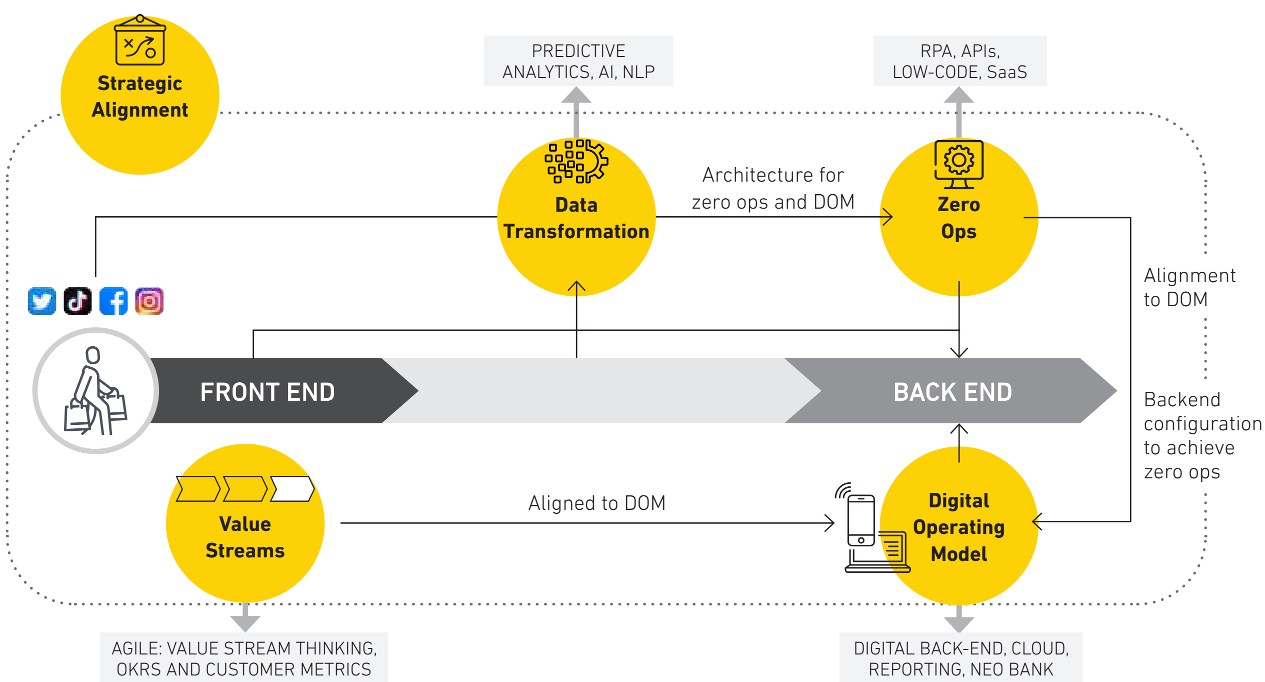


OUR TARGET OPERATING MODEL (TOM)

Technology is key to the success of our transformation strategy and to ensuring an integrated and seamless customer experience across all platforms and markets. Through Letshego's target operating model (TOM), we develop most of our solutions in-house, focusing on optimising our systems for the current environment while also preparing the Group for the emerging digital world. We drive business innovation through research and development, while focusing on expanding digital tools and technologies like machine learning, data science and artificial intelligence (AI).

END-TO-END VALUE DELIVERY THROUGH OUR TARGET OPERATING MODEL

Fully integrated and data enabled end-to-end Value Stream delivering a seamless and exceptional customer experience



The execution of our strategy is underpinned by a focus on technological resilience. We achieve this through end-to-end delivery in line with our TOM. The Letshego operating model provides various platforms for our customers to interact with us, including mobile, web and the Digital Mall. These platforms are supported by various applications, ecosystems, back-end and front-end functions including core micro services and common microservices. The aim is to provide customers with a seamless experience that starts with the onboarding, continues onto approval and acceptance, service/product provision, service/product management and culminates in value enhancement.

KEY DEVELOPMENTS DURING 2021

We launched our Digital Mall in 2021 as a key part of strategy to enable customer segments to access our diverse product range conveniently and effectively. This creates an opportunity for ongoing development and implementation to support our agile ways of working and growth ambitions.

Further information can be found on page •• of this report

A primary focus area in 2021 was to develop a strategic solution architecture for creating system stability. Although our strategic deliverables did not change, certain plans for achieving these deliverables were adapted during the year to respond appropriately to the conditions created by COVID-19. As such, our strategy was revised to ensure alignment with the dynamic operating environment. A major element of this change was transitioning from "off the shelf" solutions to our development of specific customer experience solutions.

While our strategic decisions help capitalise on opportunities in our market, continuous reviews of the operating environment and stakeholder engagements present new strategic opportunities that are in line with our growth vision. Certain emerging trends are becoming more pronounced, and our efforts over the past few years have been positioning us to take advantage of new opportunities. We have done the bulk of the hard work needed to get us ready, and we are now looking forward to enhancing the scale and execution of our current opportunities while locking down new opportunities.

CYBERSECURITY

During 2021, we made significant investments into cybersecurity, which included replacing our previous malware management system with an AI based solution that is linked to a global security operations centre for 24/7/365 active monitoring. In addition, we expanded our AI network traffic monitoring solution to increase coverage. The Group also implemented tools that actively monitor and alert all systems and infrastructure configuration changes. Further, we have access to hardened operating systems and other platform images to ensure that our system builds are pre-built with cyber security controls. We also introduced AI enhancements to our email security capability to monitor suspicious behaviour patterns. Other operational improvements were as follows:

TECHNOLOGY AND SHARED SERVICES

We have established centralised security controls and consolidated services through a shared service centre. Through this, we were able to service approximately 100 000 transactions monthly across the Group. In addition, we delivered an automated treasury management system. We also provided back-end integrations, technical capabilities and services to support Digital Mall deployment across 10 countries and automation of key systems such as credit scoring and AML.

LOOKING AHEAD

The great acceleration in the use of technology, digitisation and new ways of working will continue into the future. To support these developments, Letshego is working actively to attract and retain the exceptional talent we need to develop future-fit digital specialists and applications. This will entail carefully managing business development to prevent change fatigue and ensure effective management of the rate and pace of new developments.

As the pace of digital adoption increases, regulators are increasingly demanding higher levels of IT governance. In response to this, we will continue prioritising responsible data stewardship and sound IT governance, which includes protecting the data we collect from our customers and putting in place appropriate measures to support data integrity, privacy and security.

We will also retain focus on adopting intuitive technologies and practices that are geared towards delivering value for our clients. Cloud transformation will be a key element of this. We will also continue to further develop and upgrade our digital ecosystem.

SOCIAL IMPACT REPORT

Financial institutions play a central role in driving sustainable socioeconomic development for the benefit of their stakeholders and society at large. In line with this, Letshego's strategy aims to increase access to simple and appropriate financial solutions for emerging customers. This aligns with national government mandates to encourage productive use of loans, ultimately increasing income potential, employment levels and sustainable economic development within local communities. To achieve our potential, Letshego needs thriving economies, well-functioning societies and healthy environments.

We recognise that interdependent sustainability issues such as social justice, environmental stewardship and inclusive development will play an increasingly important role in shaping this system. We need to redouble efforts to create sustainable shared value in a manner that drives more equitable societal outcomes. While we may not know exactly how to enable this rapid transition, we will continue to use frameworks such as the SDGs, <IR> Framework, ESG and the UNPRI to guide our strategic efforts. The Group will also continue to work with sector experts, our customers and governments to take the required collective action towards inclusive and sustainable socio-economic development.

Our approach to creating social impact

Worldwide, poverty remains an obstacle to achieving sustainable development and improved wellbeing of people. Microfinance has become an effective tool for poverty alleviation, based on the principle that the poor can initiate their own development out of poverty, given the starting capital to do so.

When invested in income-generating activities, starting capital can lead to a higher income and additional positive effects, such as an increase in an individual's wellbeing.

It is for this reason that Letshego has developed a comprehensive suite of financial products tailored to the African consumer. Our goal is to promote a savings culture, increase our borrowing facilities and expand support for micro and small enterprises, while enabling rural economies by financing agri-business. In addition, through our offering, we promote affordable housing, gender equality and access to education. Lastly, through the use of digital technologies, we enhance financial inclusion and help transmit remittances.

DEFINING OUR TARGET AUDIENCE AND INTENDED IMPACT FOR SOCIETY AND THE COMMUNITIES WE SERVE

We target the following sectors through our comprehensive offering geared towards making a positive impact on our customers and the communities in which we operate:

MICRO AND SMALL ENTERPRISES

Micro and Small Enterprises (MSEs) account for the majority of businesses worldwide and are important contributors to job creation and global economic development. By supporting MSEs, we contribute to sustainable livelihoods, job creation and improved health and wellbeing among our customers and their communities.

AGRIBUSINESS

According to the African Development Bank, small-holder farms account for nearly 80% of farms and contribute up to 90% of food production in sub-Saharan Africa alone. Despite this, agricultural financing remains largely unmet for 70% of Africans involved in agriculture. This creates a clear opportunity for us to contribute to sustainable development, including food security, poverty reduction, gender equality, decent jobs and economic growth, industrial innovation, and reduction in inequality.

OUR APPROACH TO CREATING SOCIAL IMPACT *continued*

HOUSING

Letshego provides increased access to finance for affordable housing and is building economic infrastructure for a productive housing market for all. This contributes to inclusive growth, by building asset wealth, facilitating job creation, equitable economic growth, reduced levels of poverty and improved living conditions.

REMITTANCES

Remittances have increased in recent years, representing one of the main external inflows of income into some developing economies. In some cases, money sent home by migrants competes with international aid as one of the largest financial inflows to developing countries.

DIGITAL FINANCIAL SERVICES

Digital financial inclusion entails the deployment of digital solutions responsibly, at a cost affordable to customers, and which remains sustainable for providers. Digital financial services open the possibility to reach billions of new customers in the financially excluded and underserved populations, signalling a high-speed shift in access to formal banking services. Formerly excluded and underserved customers are moving from exclusively cash-based transactions to formal financial services using mobile phones or other digital technologies. This shift is happening rapidly with the launch of new technologies.

EDUCATION

Education drives progress. It is essential for breaking the poverty cycle. For women and other minority groups, education can be a powerful asset in the leveraging of civil rights, providing the confidence for self-representation. It is an indicator of life outcomes such as employment, income, and social status, and is a strong predictor of wellbeing.

GENDER EQUALITY

An estimated 70% percent of the world's poor are women and disadvantaged in accessing credit and other financial services. This is despite the fact that women on average contribute larger portions of their income to household consumption than their male counterparts. Achieving gender equality is therefore not just about fairness or morality. It is an economic imperative. Helping women fully participate in the economy not only promotes growth; it diversifies economies, reduces income inequality, mitigates demographic shifts and contributes to financial sector stability. By increasing women's access to financial services and microfinance, Letshego contributes to gender justice, non-discrimination, and the reduction in inequalities.

A programmatic sustainable development framework

Our purpose guides our strategy, behaviours and actions towards the delivery of long-term value for our stakeholders. We use our Programmatic Approach to focus our efforts and identify business opportunities and risks as well as cost savings as illustrated.

PROGRAMMATIC APPROACH: AN OVERVIEW

IMPROVING LIVES: Our formula to transform our MSE business

1 SELECT STRATEGIC PROGRAMMES

- Affordable housing
- Entrepreneurship
- Education
- Health

2 LINK PROGRAMS TO SOCIAL IMPACT

- Green
- Youth
- Woman
- Financial inclusion

3 IDENTIFY DFI FUNDERS

responsAbility

BlueOrchard Impact Investment Managers

AFRICAN GUARANTEE FUND

4 GET CHEAPER FUNDS

- Long-term funds
- Blended finance

5 INCLUDE FUND TECHNICAL ASSISTANCE

- Technical assistance for product development
- Technical assistance to help de-risk the business
- Pay contribution *(where applicable)*

6 GET BOOK GUARANTEES *(where applicable)*

- i.e. **P27m** from AGF to cover 50% of defaults post 90 days

7 GROW MSE SEGMENT

- **Give more loans** due to cheaper long term funds; relevant products and quality of book due to tech assistance & guarantees.

8 MEASURE SOCIAL IMPACT

- **Drive purpose (Improve lives)**
- Contribution to UN SDGs
- Contribute to green future
- Impact report *(youth; women etc)*

Our Programmatic Approach is built on our commitment to the wellbeing of Africa. We ask ourselves which stories deliver the most impact in Africa to determine what our programmes should be. As part of this effort, we referenced the UNSDGs before deciding to focus on:

- Housing mortgages, which is generally overlooked but make a huge impact
- Education, which underpins development. We aim to support both the people who are providing education as well as the aspiring learners
- Health and wellness as the underlying basis of social and personal productivity
- Agriculture, given its role as a major source of livelihoods on the African continent.

The selection of high impact programmes is the starting point that will help Letshego to attract appropriate funding partners going forward. We identify strategic partners that are most likely to create mutual benefits. One such partner in the year under review was the International Finance Corporation (IFC), who are providing a $50 million financing facility to Letshego's subsidiary in Namibia in order to extend access to affordable housing finance for over 4,000 Namibians. In the education sector, we partnered with Blue Orchard to help the Group develop products for people who are supporting education, as well as those want to pursue further education. This offering will be available through our Digital Mall in due course. We are currently finalising the partnerships and funding agreements that will underpin our first solutions in health and agriculture.

PROGRAMMATIC LENDING CUSTOMER VALUE PROPOSITION

MSE GENERAL

- Working capital
- Short-term loans
- Ecosystem financing

HOUSING

- Affordable housing
  - Purchase (house and plot)
  - Construction
  - Pension backed
  - Turnkey
- Green building
- Debt consolidation

EDUCATION

- Working capital
- Tech loans
- Short-term education loans

HEALTH

- Working capital
- Short-term loans

AGRICULTURE

- Input financing
- Working capital
- Water and sanitation
- Ecosystem financing

EMBEDDING SUSTAINABLE VALUE CREATION THROUGH ESG

The ongoing evolution and formalisation of our approach to ESG matters is driven by the developmental component of our mandate. We are committed to being a good, proactive corporate citizen, as demonstrated by our environmental, social and governance (ESG) activities and impact in the period under review. Our sustainability journey continues to mature as we remain abreast of global sustainability developments.

ENVIRONMENTAL IMPACT

Unsustainable consumption of the planet's natural capital has significantly compromised the conditions that make human progress and the benefits of advanced civilisation possible. This places our prospects as a species at great risk. Fundamental changes are now mandatory to save the planet and ensure the prosperity of both current and future generations. As the world transitions towards cleaner and low-carbon economies, Letshego is committed to playing a role in fostering a culture of ethical business practice and doing so in a manner that generates sustainable returns to all stakeholders. It is for this reason that we have developed our Green Affordable House and Green Lending initiatives.

GOVERNANCE AND ETHICAL LEADERSHIP

The success of our journey depends on strong leadership who are committed to ethical practice and driven by the principles of integrity and accountability. We proactively engage with our regional teams to ensure good governance. We prioritise embedding best practice, governance, knowledge and skills transfer at all levels of the organisation.

Green lending

DEVELOPING GREEN HOUSING

In January 2021, a workshop was held between our team in Ghana and energy specialists. The aim of the workshop was to build understanding of the green housing concept. Following this, EDGE training on green buildings was provided to our Ghana team by an international agency. All costs were covered by the Global Climate Partnership Fund (GCPF) TA Facility (TAF). This led to the development of Green Housing Prototypes between April and July 2021. Prototypes only used local materials and achieved significant energy, water and materials savings well in excess of 20%, making them eligible for funding by the GCPF. With zero or very limited incremental cost, Green Housing Prototypes will generate substantial financial savings, yielding short payback periods (0 for no incremental cost, otherwise < 1.5 years). The Ghana team, Green Architect and Energy Specialists have entered product development, including the start of construction of demonstration houses.

ECOFRIDGES

In September 2020, Letshego introduced the ECOFRIDGES GO initiative, led by UNEP U4E, Basel Agency for Sustainable Energy (BASE), and the Ghana Energy Commission. Through this development, Letshego Ghana became the first financial institution in the country to join ECOFRIDGES GO, signing financing agreements with various local distributors of green air conditioners and refrigerators. Further, Letshego Ghana's branches replaced their air conditioners with ECOFRIDGES GO eligible models, using them for demonstration effects with clients, and to promote the initiative at universities and other locations.

This programme has received widespread media publicity, which sharply increased its public visibility. Letshego Ghana subsequently worked with distributors to streamline acquisition of approved air conditioners and refrigerators and boost sales. While the affordability of air conditioners and refrigerators poses some early challenges, the Letshego Ghana team is working hard to promote its uptake.

LOOKING AHEAD

We are currently developing green lending in Nigeria and Tanzania. As part of this effort, we engaged a consultancy firm to undertake two separate independent assessments of green lending potential in Letshego Nigeria's and Tanzania's key client and market segments. All costs of both assessments were fully covered by GCPF TAF. The assessments included interviews with clients, suppliers, private companies and government bodies. These revealed a strong potential for solar PV, EE appliances, EE/electric vehicles, and green buildings.

Following this, workshops with Letshego's Nigeria and Tanzania management were held. Key findings from the assessments were presented during these workshops, which also served as an opportunity for the formulation of Green Lending Roadmaps to secure the identified green lending potential. Energy specialists guided our teams in Nigeria and Tanzania teams through the entire process, providing comfort that the Letshego Nigeria and Tanzania teams will successfully grow our green loan book.

Productive use of loans

In the microfinance sector, lenders tend to divide loans into two broad categories: productive (income-generating) and consumptive (non-productive). As Letshego is often lending to people with little or no collateral, we have a strong preference for productive loans. The borrower is usually able to repay the loan from the income generated by the loan.

When assessing the Group average customer spend for business purposes (excluding Tanzania, Nigeria and Uganda) an average of 7% of customers made productive use of their loans for this purpose. Across the Group, with the exclusion of Kenya, an average of 2% of customers used their loans for medical purposes. This correlates well with the Findex Study undertaken by the World bank.

The Group has noted that a significantly larger proportion of customers are using our loan facilities for home improvements, more than the 10% benchmark set by a World Bank study. This is consistent across the Group and is most likely as a result of a focus on promoting this type of loan use by the Direct Sales Agents.

AGRI BUSINESS AND MSE BUSINESS

By strengthening micro enterprises - the backbone of the economy in many developing countries - Letshego can make a significant contribution to economic activities. Loan use focused on agriculture, MSE, housing, and education contribute to economic stimulus across the Letshego footprint.

Access to loans in farming households can increase production by around 8%. Evidence from Ethiopia has shown that US$1 of output generated in agriculture stimulated a further US$1.23 in economic activity in other parts of the economy. Similarly, every US$1 invested in MSEs generates on average an additional US$12 in the economy.

HOUSING

Letshego has determined that a significant portion of our customer base is using its loans for housing. Our DAS customer base, which constitutes 88% of our loan book, primarily borrows funds for this purpose. It is noted that 18% of borrowers surveyed make use of funds for acquiring or improving housing.

During 2021, a large proportion of our customers purchased land, or material for building a home, or undertook home improvements. Customers also deployed funds to provide access to energy or water and sanitation. Although this is not necessarily all clean energy being deployed, the provision of energy to the home as well as clean drinking water and sanitation, will have a profound impact on the quality of life for these customers and their families.

The provision of housing or improvement in the provision of housing has a direct impact on per capita GDP as well as GDP. For every US$ 100 spent on housing finance activities in Africa, US$ 36.50 is added to per capita GDP, while US$ 225 is added to GDP.

GENDER EQUALITY

We have made strides in diversifying our loan book by gender, with our portfolio reflecting local population demographics. The key variable of significance in the analysis of gender and microfinance usage, is defined as the proportion of female clients as a share of the total national population.

Based on survey results obtained, and statistical analysis of our loan book performance against non-financial parameters, our female customers are making use of loans more productively. There is, however, no indication that gender affects non-performing loan book performance.

DIGITAL FINANCE

Letshego has always focused on positive ongoing client engagement. This was traditionally facilitated through the branch network in each country, using direct sales agents (DSA) as well as the implementation of an agency banking model. In the last couple of years there has been a concerted effort to drive the use of digital platforms, not only to further enhance the experience of our current customer base but to facilitate the extension of services to new customers.

When assessing our existing customer base by average distance from a Letshego access point (Branch, DSA, or Agent) the legacy of our push for face-to-face engagement is still evident, with most of our customers reporting they are less than 10 km from a Letshego touch point.

Internal benchmarks set by Letshego to track this approach looked at ensuring less than 25% of customers reside <1 km from a touch point, 40% within 1-5 km, 20% 6-10 km, 5% 11-50 km, 5% 51-100 km and no more than 5% greater than 100 km. These benchmarks were met by most of the subsidiaries in the Group.

The new 6-2-5 strategic plan will facilitate Letshego becoming a digitally led business with the objective of having 80% digital adoption by customers within five years (end 2025). This will be enabled through organisational design efficiencies, enterprise agility and a collaborative culture.

REMITTANCES

Our customers make use of various channels to transmit and receive funds. Digital channels commonly utilised include E-Wallet, cell phone banking and bank transfers. In Lesotho, international money transfers and stokvels are also common tools utilised to receive remittances. The dominant reason for sending or receiving funds is to pay for food, business expansion and school fees. Remittances are most commonly sent to close family members, with receipt of funds reported to come from friends or other sources.

60 Decibels 2021 social impact survey

We are proud of the progress we made towards ensuring meaningful social return on investment through our operations, projects and initiatives. Letshego takes the view that there are more opportunities for us to enhance our sustainability approach and ensure a more integrated Group-wide strategy. In 2021 we commissioned a social impact survey for this reason. Conducted by 60 Decibels, the exercise allowed us to measure, monitor and evaluate our contribution to socio-economic development and sustainable value creation for all our stakeholders.

60 Decibels is a global, tech-enabled impact measurement company that brings speed and repeatability to social impact measurement and customer insights. The survey results provide genuine benchmarks of impact performance, enabling Letshego to understand its impact and set performance targets. With better data, Letshego can get even closer to its purpose.

This survey report presents feedback from 2 262 customers across 11 countries in Letshego's portfolio. The sample comprises 49% female customers and 51% male customers, which was close to a 50-50 gender split for understanding the differentiated impact of Letshego on male and female customers. All data was collected through phone surveys conducted in local languages.

PORTFOLIO PERFORMANCE: SNAPSHOT

Letshego is doing well in improving the lives of its customers. There is an opportunity to improve customer satisfaction and reach more underserved customers.

Profile
0.58
INCLUSIVITY RATIO

Impact
37%
QUALITY OF LIFE 'VERY MUCH IMPROVED'

Net Promoter Score®
17
ON A -100 TO 100 SCALE

Challenges
28%
REPORT CHALLENGES: 33% NOT RESOLVED

Ability to Save
26%
SAY THEIR ABILITY TO SAVE 'VERY MUCH IMPROVED'

Contribution
33%
FIRST TIME ACCESSING SERVICE PROVIDED

Alternatives
47%
REPORT NO ACCESS TO A GOOD ALTERNATIVE

What impact
- 44% can afford a house and property
- 26% can now afford an education
- 23% now have increased investments

LOAN USAGE

45%

OF CUSTOMERS USE THEIR LOAN FOR BUSINESS PURPOSES INCLUDING:

- Renovation of business **(24%)**
- Purchase of assets (e.g. land/vehicle) **(22%)**
- Establishment of new business ventures **(16%)**

PERSONAL USES WERE THE MOST COMMON IN ALL COUNTRIES. TOP PERSONAL USES ARE:

- School fees **(32%)**
- Construction of house **(31%)**

Slightly more women (60%) used their loan for personal use compared to men (55%). Female customers were slightly more likely to use the Letshego loan for school fee payments (34%) compared to male customers at 29%.

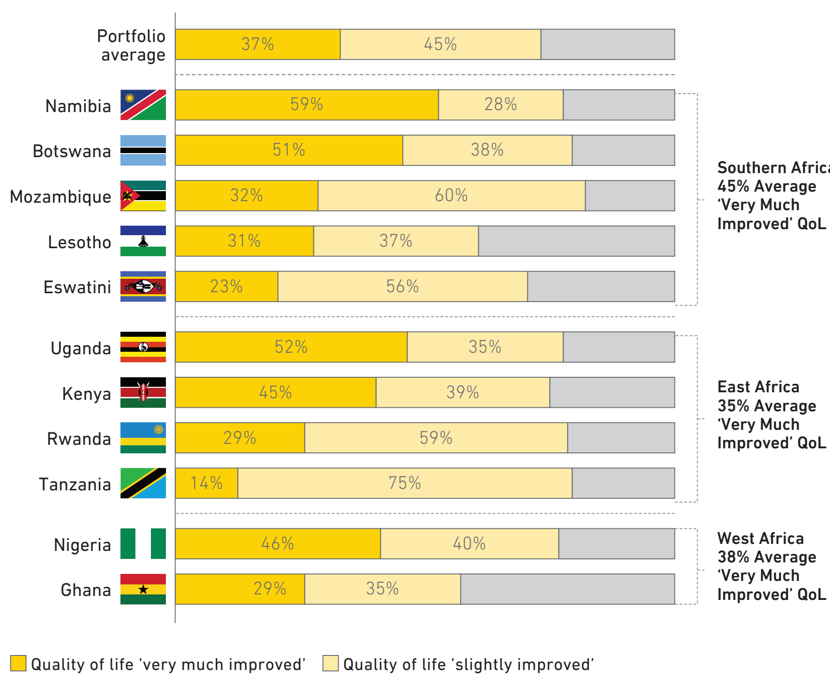
IMPACT PERFORMANCE: QUALITY OF LIFE

To gauge depth of impact, customers were asked to reflect on whether their quality of life had changed because of Letshego. Over 80% of customers say their quality of life has improved. 37% report that their quality of life has 'very much improved' with a further 45% saying it 'slightly improved'.

More than three-quarters of customers in 9 of 11 countries report improvements in their quality of life, with Lesotho and Ghana the exceptions. This suggests Letshego loans are successfully achieving catalysing household improvements for customers.

QUALITY OF LIFE IMPACT BY COUNTRY

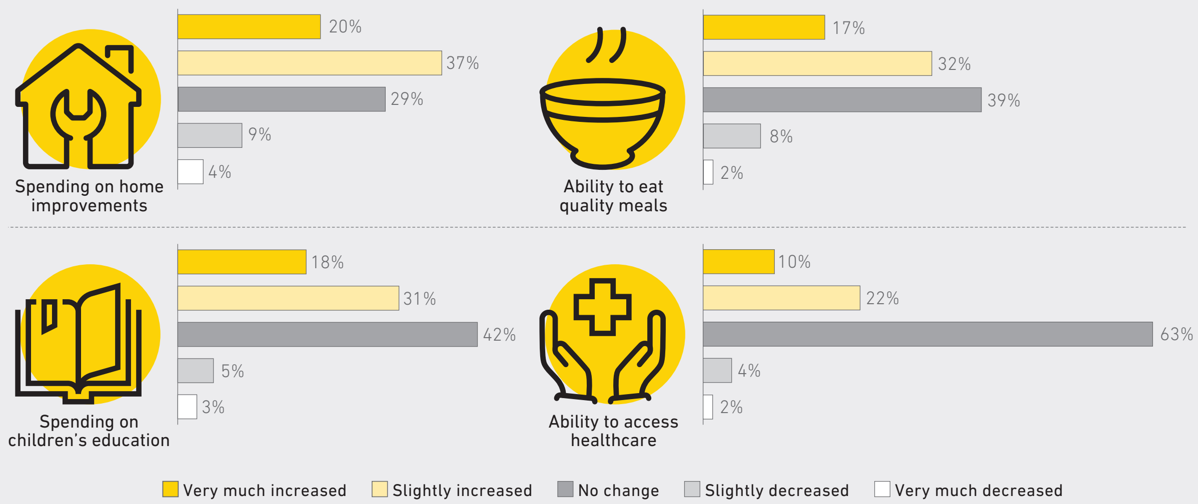
% customers reporting great and slight improvements in quality of life because of Letshego (n=1.519)



IMPACT ON SPENDING BEHAVIOUR

Nearly three in five customers report spending more on home improvements as a result of Letshego.

Q: BECAUSE OF LETSHEGO, HOW HAVE THE FOLLOWING CHANGED? % (n=2.262)



IMPACT ON ABILITY TO SAVE

On average 67% of Letshego customers reported an improvement in their ability to save, with 24% reporting significant improvements.

Uganda, Mozambique, and Rwanda were the standout performers with more than 75% of their customers reporting improved ability to save. Males are more likely to report that their ability to save 'very much improved' (28%), as compared to women (25%).

TRUST IN LETSHEGO SERVICES

Nearly 9 in 10 customers feel they can trust Letshego with their money. We found slight differences in customers' opinions by region, with relatively lower scores in East Africa compared to other regions.

TOP ACTIONABLE INSIGHTS

- Customers financial wellbeing is positively impacted, with two thirds of survey respondents mentioning their ability to save has improved because of Letshego. This can be amplified across the remaining one third of the customers and communicated to potential customers
- Two fifths of Letshego customers use their loan for personal uses as opposed to business use. This is likely driving the fact that only 43% of customers say their income has increased because of Letshego. Increasing productive usage of loans can help minimise the risk of over indebtedness for clients and reduce the number of non-performing loans within the portfolio
- Prior loan access (67%) and access to alternatives (53%) indicates that Letshego is serving customers that are relatively financially included and at risk for having its customers opt for competitors. This could be an opportunity for Letshego to strengthen its service offering by listening to customers, addressing their suggestions, and amplify the impact of these loans to attract and retain loyal customers
- 7 in 10 customers send remittances and the majority are satisfied with their current remittance service provider. While this could be an opportunity for Letshego to move into this space, it may find competition among established remittance providers.

Contribution to UN SDGs

The United Nations Sustainable Development Goals (SDGs) set a clear long-term agenda to end poverty, protect the planet and ensure prosperity for all by 2030.

In line with our solution offering and strategic focus on Youth, The Green Economy, Housing and Education, we align with 11 out of the United Nation's 17 Sustainable Development Goals (SDGs).

NO POVERTY

Our focus areas and impact

We provide finance for housing, health and agri-business. This promotes equal rights and equitable access to economic resources, including ownership and control over land. Overall, it reduces levels of inequality in society since it supports gender equality, skills enhancement, income generation, increased levels of security, health, self-confidence and human dignity.

ZERO HUNGER

Our focus areas and impact

We provide finance for agri-business. By supporting agriculture and sustainable livelihoods, we contribute to food production, food security and the goal towards zero hunger.

GOOD HEALTH AND WELLBEING

Our focus areas and impact

We aim to contribute to the attainment of a better standard of living for our customers and the communities in which we operate. We achieve this through health financing as well as supporting sustainable livelihoods through the provision of innovative financial products.

QUALITY EDUCATION

Our focus areas and impact

We aim to contribute to the attainment of a better standard of living for our customers and the communities in which we operate. This entails breaking the cycle of poverty and creating opportunities for individuals to develop themselves and become productive members of society. Education can make an important contribution towards this objective.

GENDER EQUALITY

5 GENDER EQUALITY

Our focus areas and impact

Letshego fosters equality of opportunity, inclusion and a healthy workplace through our human capital policies and practices. ••% of the workforce is women. In addition, we provide financial services that are aimed at fostering gender justice. This is based on the belief that microfinance services positively influence women's decision-making power and enhance their overall socio-economic status. These services can significantly contribute to gender equality and promotes sustainable livelihoods and better working conditions for women.

DECENT WORK

8 DECENT WORK AND ECONOMIC GROWTH

Our focus areas and impact

We contribute to this through skills and enterprise development programmes as detailed in the Human Capital (page ••) and Social Relationship Capital (page ••) sections of this report. In addition, women's empowerment through microfinance is key for promoting Decent Work, and is central to facilitating equitable, inclusive, and sustainable development.

SUSTAINABLE CITIES AND COMMUNITIES

11 SUSTAINABLE CITIES AND COMMUNITIES

Our focus areas and impact

We make investments in infrastructure projects and public utilities required to diversify local economies. We have also begun investing in green lending in Ghana, with plans underfoot to expand this offering to Kenya and Tanzania.

CLIMATE ACTION

13 CLIMATE ACTION

Our focus areas and impact

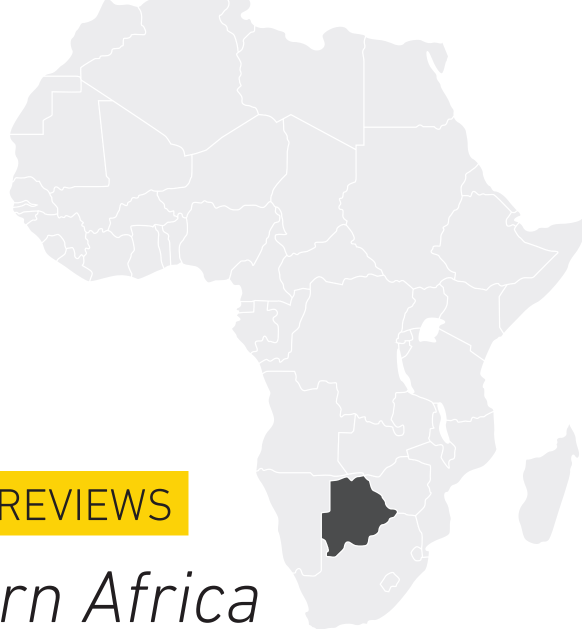
We are focused on reducing our Group-wide environmental footprint and investing in green solutions to become a more efficient and sustainable organisation.

Case Study

Letshego Botswana has partnered with Botswana Teachers Union (BTU), an independent Teachers Trade Union representing the welfare, interests and values of over 24 000 primary, secondary and tertiary school teachers. The partners will deliver a bespoke financial literacy programme through financial wellness clinics held for teachers across the country over a period of 12 months.

The partnership aims to support BTU members with financial literacy education through financial counselling, workshops and other interventions to empower teachers with basic financial skills and knowledge to help them avoid financial pitfalls and the indebtedness that often results from poor financial decisions. Among other things the clinic will focus on investment and advisory services, debt management and restructuring, retirement planning, risk management as well as insurance and pre-marital financial counselling.

Teachers are the backbone of our society – many of us remember teachers from many years back because of the critical role they played in not only educating us, but also building our confidence and helping us to understand more about ourselves. Through "Financial Fitness", Letshego can give a little back to the people who continue to play an integral role in our lives and our communities.



REGIONAL REVIEWS

Southern Africa

BOTSWANA

Est. 1998
Listed on the Botswana stock exchange in 2002

FERGUS FERGUSON,
Botswana CEO

OVERVIEW

32 198
NUMBER OF CUSTOMERS
FY2020: 29 992

149
NUMBER OF EMPLOYEES
FY2020: 148

15
NUMBER OF OUTLETS
FY2020: 16

PRODUCTS

LetsGo DIGITAL MALL

- App
- Web
- WhatsApp
- USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- 6% growth in advances and profit compared to the prior year, supported by improving non-funded income and loan book
- Capital adequacy ratios remain above 50%, well above the regulatory minimum
- 75% dividend pay-out ratio for 2021
- Funding increased by P300m to finance growth projections
- Approval and launch of the LetsGo Digital Mall, with over 100k Enterprise Active customers registered to date
- Strengthened management team with key appointments in Finance and Products and Marketing

KEY

Lending Payments Lifestyle
Insurance Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**149**	148	136
	Number of direct sales agents (DSAs)	**130**	95	123
		279	243	259
Access anytime anywhere	Number of branches	**5**	5	5
	Number of Satellite offices	**10**	11	11
		15	16	16
Asset quality	LLR to average gross advances	**0.6%**	0.8%	(0.7%)
	NPL's provision coverage	**89%**	80%	96%
Performance	Profit before tax and Group charges	**495**	471	528
	Net disbursements to customers	**379**	473	362
Advances	Loan book split	**2 920**	2 826	2 601
	Net Advances Formal Loans (P' million)	**2 899**	2 812	2 580
	Net Advances MSE Loans (P' million)	**21**	14	21
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**32 198**	29 992	31 745
	Number Formal Customers	**32 122**	29 871	31 565
	Number MSE Customers	**76**	121	180
	Number of Informal Customers	**0**	n/a	n/a
	% Customers Female	**40%**	41%	39%

OPERATING ENVIRONMENT

COVID-19 continued to influence our business, as movement restrictions during the year led to the acceleration and development of digital channels across financial and other sectors.

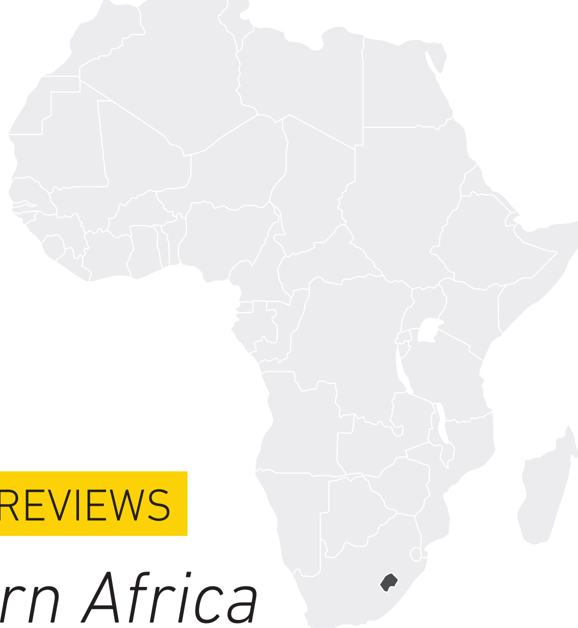
Increasing competition within Botswana's non-bank lending sector favours Botswana's consumers as this is leading to more competitive pricing as well as the need for service providers to continuously evolve and innovate customer value propositions.

Customer borrowing trends and behaviours changed significantly during the year, with a shift from consumption-led credit towards education, household improvement and debt consolidation purposes. As such, Letshego is well aligned with our impact financing product pipeline.

LOOKING AHEAD

We expect the business environment to remain competitive, but with limited growth in financially active consumers. Letshego Botswana's strategy is focused on increasing customer choice through offering diversified lending and insurance solutions, including Affordable Housing, Wellbeing solutions, long and short term insurance, as well as enhanced customer experience with ongoing digitisation in customer journeys. We are driving a #customerobsessed culture that puts financial inclusivity as a priority, and enables customers to access products and services quickly and conveniently via all digital devices.

We continue to strengthen our internal control environment in risk management and compliance monitoring by adopting world-class tools and continuous investment into technology and digital platforms.



REGIONAL REVIEWS

Southern Africa

LESOTHO

Est. 2012

SELLOANE TSIKE,
Lesotho CEO

OVERVIEW

4 984	45	5
NUMBER OF CUSTOMERS	**NUMBER OF EMPLOYEES**	**NUMBER OF OUTLETS**
FY2020: 6 221	FY2020: 40	FY2020: 5

PRODUCTS

LetsGo DIGITAL MALL

App

Web

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- Operating Income increased by 11%, boosted by savings
- Capital Adequacy Ratio of 36%
- 75% dividend payout ratio for 2021
- Enhanced employee capacitation through skills development, with 100% enrolment in online learning platforms
- Staff retention at 100%, an improvement on preceding years

KEY

Lending | Payments | Lifestyle | Insurance | Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**45**	40	38
	DSAs	**10**	6	6
		55	46	44
Access anytime anywhere	Number of branches	**1**	1	1
	Number of Satellite offices	**4**	4	4
		5	5	5
Asset quality	LLR to average gross advances	**4.2%**	0.3%	6.5%
	NPL's provision coverage	**93%**	78%	108%
Performance	Profit before tax and Group charges	**48**	61	42
	Net disbursements to customers	**(22)**	92	82
Advances	Loan book split	**331**	409	359
	Net Advances Formal Loans (P' million)	**331**	409	359
	Net Advances MSE Loans (P' million)	**n/a**	n/a	n/a
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**4 984**	6 221	6 817
	Number Formal Customers	**4 984**	6 221	6 817
	Number MSE Customers	**n/a**	n/a	n/a
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**52%**	52%	52%

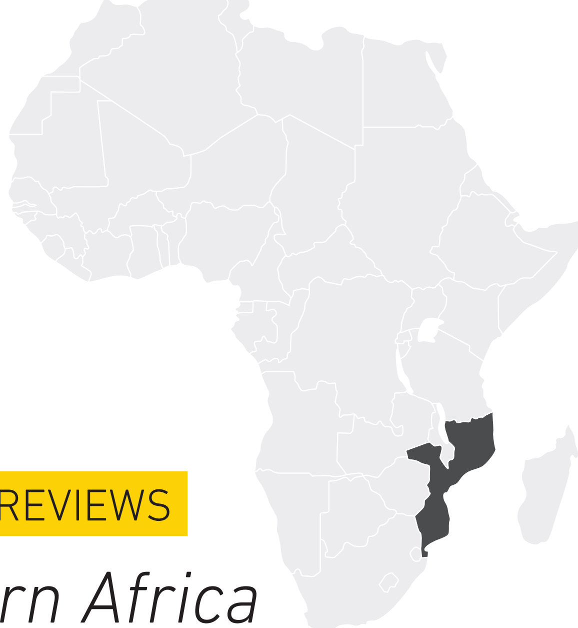
OPERATING ENVIRONMENT

Lesotho's economic recovery in 2021 is expected to be staggered in light of ongoing political uncertainty, in addition to the threat of a third wave in COVID-19 cases across Southern Africa. Lesotho's Gross Domestic Product (GDP) is expected to be around 1.7%.

Letshego Lesotho continues its focus and progress in diversifying its customer segments into the nongovernment sectors, boosted by the Group's regional rollout of world-class digitised channels and systems to support customer access, product development and overall business efficiencies.

LOOKING AHEAD

Letshego Lesotho seeks to deliver stronger growth, performance and returns in 2022 across multiple customer segments including government and non-government segments, as well as MSE (Micro and Small Entrepreneurs). Growth is set to be spurred by the launch of our digital platform as well as an enhanced digitised credit scoring model. Along with adopting agile ways of working, Letshego Lesotho is building a vibrant culture, upskilling its people through development and training initiatives as well as attracting more talent as we continue to improve lives for all Basotho.



REGIONAL REVIEWS

Southern Africa

MOZAMBIQUE

Est. 2011
Commercial banking licence awarded in 2016

CARLOS NHAMAHANGO,
Mozambique CEO

OVERVIEW

318 249	169	466
NUMBER OF CUSTOMERS	**NUMBER OF EMPLOYEES**	**NUMBER OF OUTLETS**
FY2020: 262 314	FY2020: 171	FY2020: 475

PRODUCTS

LetsGo DIGITAL MALL

App

Web

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- 10.8% growth in advances compared to the prior year, despite challenging macro-economic environment
- 16.75% increase in operating income, buoyed by the growth of advances
- 29.09% increase in profit before tax versus 2020 financial year
- Deposits currently represent 55% of the overall funding pipeline
- Pilot programmes launched for Debit Cards, Remittances, Bank to Bank transfers
- Exco members trained in Scaled Agile Framework (SAFe) with Coursera and AML training for the Board and all employees

KEY

Lending · Payments · Lifestyle · Insurance · Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**169**	171	174
	DSAs	**241**	214	178
		410	385	352
Access anytime anywhere	Number of branches	**13**	13	13
	Number of Satellite offices	**2**	12	12
	Third Party Agents	**451**	450	473
		466	475	498
Asset quality	LLR to average gross advances	**(0.3%)**	0.6%	(0.2%)
	NPL's provision coverage	**21%**	42%	33%
Performance	Profit before tax and Group charges	**166**	197	199
	Net disbursements to customers	**470**	450	315
Advances	Loan book split	**1 770**	1 244	1 340
	Net Advances Formal Loans (P' million)	**1 770**	1 244	1 340
	Net Advances MSE Loans (P' million)	**n/a**	n/a	n/a
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**85 038**	85 681	85 743
	Number Formal Customers	**85 038**	85 681	85 743
	Number MSE Customers	**n/a**	n/a	n/a
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**25%**	29%	26%
Customer savings	Customer savings split	**542**	363	286
	Net Deposits Retail (P' million)	**328**	199	114
	Net Deposits Corporate (P' million)	**214**	164	172
	Customer Split	**233 211**	176 633	38 234
	Number Retail Customers	**233 080**	176 539	38 142
	Number Corporate Customers	**131**	94	92

OPERATING ENVIRONMENT

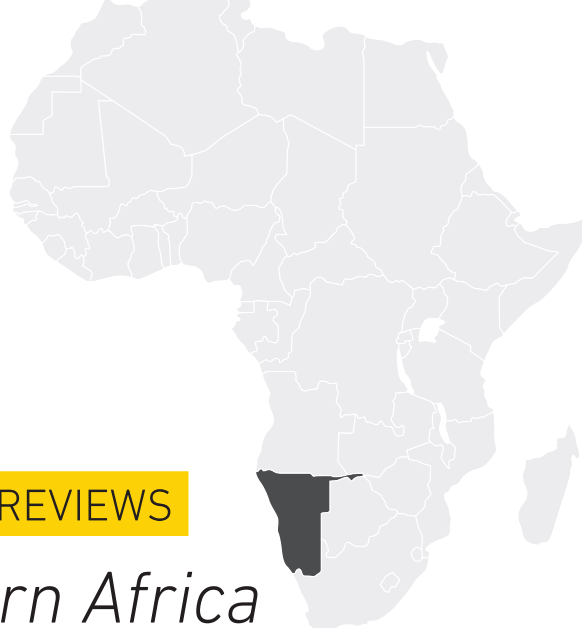
Banco Letshego recorded resilient performance during 2021. Financial performance for the year was the best since opening 2011, despite severe restrictions associated with the pandemic. Mozambique's currency strengthened, while inflation was maintained at single digit rates.

A number of new banking codes was granted, and we continued extending Letshego's presence through our direct sales agent model. In line with the Group's strategic roadmap, we made advances in new products such as Debit Cards, Agency Banking Enhancement, and MSE Education loans, as well as preparation for the roll out of the Digital Mall. It is worth noting that Banco Letshego was ranked 54th of 100 large enterprises and 6th out of 100 best enterprises in KPMG's latest annual Top 100 Mozambique Company Survey.

LOOKING AHEAD

Banco Letshego remains committed to progressing its Transformation Strategy, enhancing customer experience and value propositions to consistently improve current customer satisfaction indices. The LetsGo digital platform is increasing account access for customers via their mobile phones. Our diversification strategy is expected to gain momentum as we expand our reach to MSE customers and offer new solutions in cards, remittances, insurance and bill payments.

Enhancements in reporting, processing, governance, risk and credit decision will be achieved through centralised shared services and regional systems upgrades including credit scoring. Automation and straight through processing will deliver increasing efficiencies, while delivering the best customer experience.



REGIONAL REVIEWS

Southern Africa

NAMIBIA

Est. 2002
Edu Loan Namibia acquired by Letshego Group in 2008 and registered as Letshego Micro Finance Services Ltd.
Listed on NSE in 2017

ESTER KALI,
Namibia CEO

OVERVIEW

84 714
NUMBER OF CUSTOMERS
FY2020: 73 702

157
NUMBER OF EMPLOYEES
FY2020: 152

16
NUMBER OF OUTLETS
FY2020: 16

PRODUCTS

LetsGo DIGITAL MALL

- App
- Web
- WhatsApp
- USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- 18.6% growth in advances from previous year, despite challenging macro-economic environment
- 250% increase in fee income from transaction volume growth in USSD, IB and Cards
- 75% dividend payout ratio for 2021
- Funding increased to N$2 billion to finance growth projections
- Successful maiden bond issuance of NAD 231 million on NSX
- USD50 million IFC facility secured for Affordable Housing
- Strengthened management team with key appointments in Finance and Products and Marketing

KEY
Lending
Payments
Lifestyle
Insurance
Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**157**	152	145
	DSAs	**51**	41	39
		208	193	184
Access anytime anywhere	Number of branches	**4**	4	3
	Number of Satellite offices	**12**	12	12
	Third Party Agents	**n/a**	n/a	n/a
		16	16	16
Asset quality	LLR to average gross advances	**(0.4%)**	0.9%	0.3%
	NPL's provision coverage	**27%**	47%	25%
Performance	Profit before tax and Group charges	**333**	334	418
	Net disbursements to customers	**1 064**	895	692
Advances	Loan book split			
	Net Advances Formal Loans (P' million)	**3 164**	2 671	2 205
	Net Advances MSE Loans (P' million)	**n/a**	n/a	n/a
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
		3 164	2 671	2 205
	Customer Split	**48 083**	47 300	47 728
	Number Formal Customers	**48 083**	47 300	47 728
	Number MSE Customers	**n/a**	n/a	n/a
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**43%**	42%	42%
Customer savings	Customer savings split	**285**	138	33
	Net Deposits Retail (P' million)	**18**	20	25
	Net Deposits Corporate (P' million)	**266**	118	8
	Customer Split	**36 631**	26 402	12 472
	Number Retail Customers	**36 570**	26 357	12 459
	Number Corporate Customers	**61**	45	9 213

OPERATING ENVIRONMENT

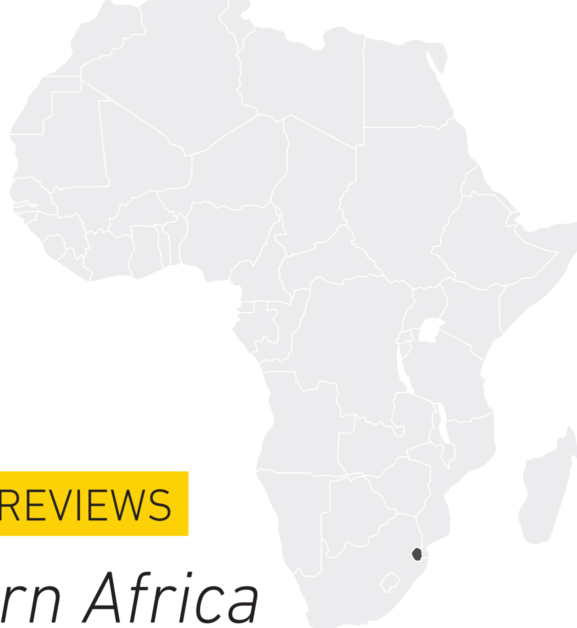
COVID-19 market conditions have led to an increase in digital channels and service delivery. Namibia's continued momentum in increasing customer value through improved access, pricing, new products and value-adding lifestyle benefits assisted in spurring customer loyalty. Our performance in 2021 depicts business resilience and improvement, underpinned by organisational design efficiencies, enterprise agility and a collaborative culture.

Notwithstanding the challenging environment, the Namibian economy recorded a modest rebound in 2021 and recovered some of the ground lost in 2020. Following a record contraction of 7.9 percent in 2020, the Namibian economy is estimated to have expanded by 2.4 percent in 2021, aided by supportive macroeconomic policies. Namibia's headline inflation rate rose during 2021 but remained well remained well below its long-time average of about 6%.

LOOKING AHEAD

While Namibia's economic conditions are expected to remain challenging over the medium term, Letshego Namibia continues to pursue competitively priced local funding lines, such as the inaugural debt issuance on the Namibian Stock Exchange in May 2021. Looking ahead, we intend to increase deposit mobilisation, and focus on cost discipline and capital optimisation strategies to enable the sustainable delivery of our inclusive finance agenda.

Operational Risk continues to be enhanced within our Enterprise-wide Risk Management Framework (ERMF), promoting three Lines of Defence to increase the efficiency and effectiveness of the bank's resources, minimise avoidable losses while maximising opportunities in business growth and product diversification.



REGIONAL REVIEWS

Southern Africa

ESWATINI

Est. 2006
Opened doors in 2006 as a Micro Provident Eswatini and rebranded in 2010

MONGI DLAMINI,
Eswatini CEO

OVERVIEW

137 026
NUMBER OF CUSTOMERS
FY2020: 114 432

27
NUMBER OF EMPLOYEES
FY2020: 27

3
NUMBER OF OUTLETS
FY2020: 3

PRODUCTS

LetsGo DIGITAL MALL

- App
- Web
- WhatsApp
- USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- 27% increase in Net Interest Income compared to the prior year, on the back of loan book growth
- Asset quality remained strong despite COVID-19 and political unrest challenges
- Loan Loss Rates improved significantly from 14% in 2020 to 5% in 2021
- Funding was diversified by accessing more local currency facilities and reducing Group lines, ultimately supporting reduction of cost of funds
- Launched the LetsGo Digital Mall, supported by an effective digital migration campaign
- Launched short loans in response to needs in the local environment
- Successfully concluded organisational design realignment

KEY
Lending · Payments · Lifestyle · Insurance · Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**27**	27	28
	DSAs	**7**	8	6
		34	35	34
Access anytime anywhere	Number of branches	**3**	3	3
	Number of Satellite offices	**0**	n/a	n/a
		3	3	3
Asset quality	LLR to average gross advances	**4.9%**	3.5%	0.8%
	NPL's provision coverage	**99%**	84%	77%
Performance	Profit before tax and Group charges	**13**	30	38
	Net disbursements to customers	**144**	189	119
Advances	Loan book split	**489**	492	495
	Net Advances Formal Loans (P' million)	**489**	460	471
	Net Advances MSE Loans (P' million)	**n/a**	28	20
	Net Advances Informal Loans (P' million)	**n/a**	4	5
	Customer Split	**137 026**	114 432	127 884
	Number Formal Customers	**7 676**	8 150	8 460
	Number MSE Customers	**90**	108	89
	Number of Informal Customers	**129 260**	106 174	119 335
	% Customers Female	**33%**	34%	34%

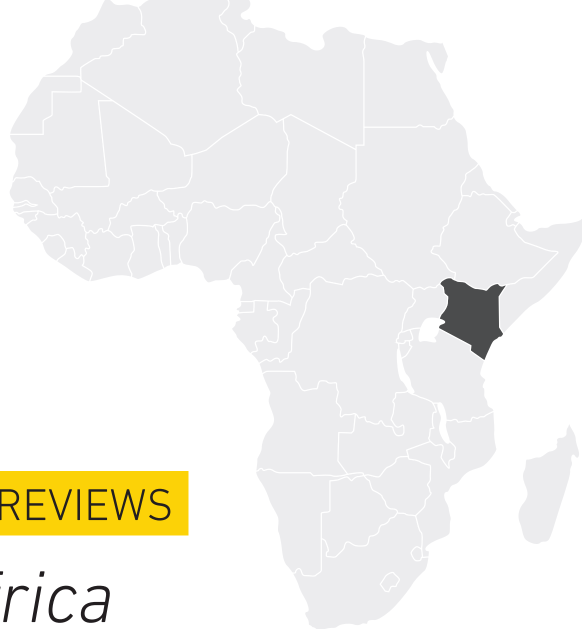
OPERATING ENVIRONMENT

The continuing pandemic and the beginning of civil unrest in the country in 2021 further exacerbated the economic challenges faced by the country. Uprisings and economic instability led to reduced levels in consumer income, and subsequent downside pressure on sales and business growth for the financial sector as a whole. Credit providers shifted their product focus from long to short term solutions to support local consumers' affordability challenges.

LOOKING AHEAD

With ongoing additions and innovation, the LetsGo Digital Mall continues to bring a differentiated service and experience to our customers. As part of our transformation strategy, Eswatini will continue automating and streamlining its processes to ensure agility and efficiency while remaining committed to strengthening compliance, risk management practices, governance structures and procedures.

Letshego Eswatini continues to drive sales through digital platforms, as well as support and empower our customers to transition accessing digital channels as opposed to traditional branches. The successful launch of the LetsGo Digital Mall enables customers faster and easier access to LetsGo solutions, wherever they may be located.



REGIONAL REVIEWS

East Africa

KENYA

Est. 2011

ADAM KASAINE,
Kenya CEO

OVERVIEW

11 125	156	29
NUMBER OF CUSTOMERS	**NUMBER OF EMPLOYEES**	**NUMBER OF OUTLETS**
FY2020: 12 967	FY2020: 171	FY2020: 29

PRODUCTS

LetsGo DIGITAL MALL

App

Web

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- Increased profit before tax significantly to P149 million (2020: P60 million)
- 100% adoption of digital loan origination through web forms application
- Launched five new short term insurance products covering personal, motor and household
- Fundamentals of Enterprise Agility training completed in 2021
- Upskilled leadership through a Leadership Development Programme
- Relocation of branches to new modern premises, enhancing brand image, access and visibility
- Strategic partnership with Equity Bank to create an integrated loan repayment collection process.

KEY

Lending Payments Lifestyle
Insurance Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**156**	171	187
	DSAs	**87**	96	90
		243	267	277
Access anytime anywhere	Number of branches	**25**	25	25
	Number of Satellite offices	**4**	4	4
		29	29	29
Asset quality	LLR to average gross advances	**(12.1%)**	3.3%	4.1%
	NPL's provision coverage	**0%**	209%	236%
Performance	Profit before tax and Group charges	**149**	61	55
	Net disbursements to customers	**133**	209	187
Advances	Loan book split	**618**	600	569
	Net Advances Formal Loans (P' million)	**127**	156	133
	Net Advances MSE Loans (P' million)	**490**	444	436
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**11 125**	12 967	19 272
	Number Formal Customers	**7 952**	8 999	8 858
	Number MSE Customers	**3 163**	3 968	10 414
	Number of Informal Customers	**10**	n/a	n/a
	% Customers Female	**31%**	32%	38%

OPERATING ENVIRONMENT

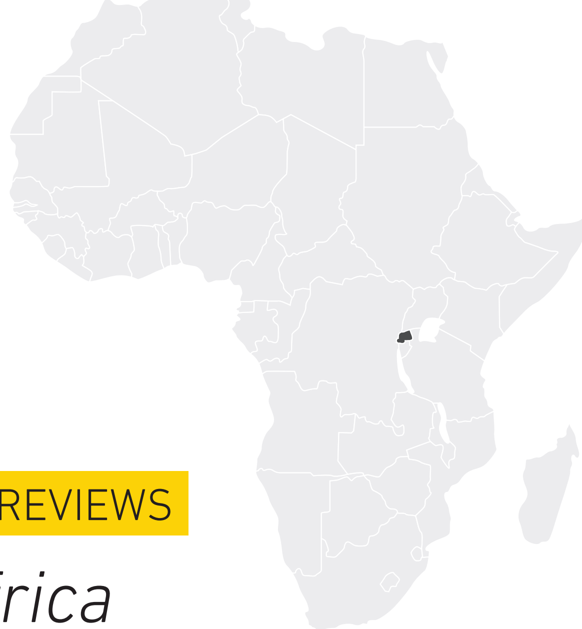
The COVID-19 pandemic led to reduced activity in key target segments, including the education and hospitality sectors. Country lockdown measures also restricted the movement of our sales teams. Letshego Kenya responded by offering loan payment holidays for adversely affected customers. Towards the end of 2021, Kenya's COVID-19 containment measures eased, and learning institutions reopened.

Perceived demand for credit remained unchanged in eight economic sectors and increased in three sectors (Trade, Personal and Household and Manufacturing) over 2021. Mobile Applications topped bank customers' preferences, reinforcing a sustained uptake of contactless banking solutions. With financial technology playing an increasingly important role in enabling business continuity and support to vulnerable Groups, the Central Bank of Kenya (CBK) enabled legislation for the regulation of digital lenders.

LOOKING AHEAD

We look forward to diversifying our product offering further with value adding solutions in health, agri-business, and trade finance. New strategic partnerships in 2022 will facilitate growth in key segments such as Affordable Housing.

Our insurance solutions will bolster revenues and non-funded incomes, while mass registrations of customers at the digital mall create a wide customer base for new digitally supported solutions across individual and MSE lending in 2022.



REGIONAL REVIEWS

East Africa

RWANDA

Est. 2000
Opened doors in 2000 as part of MicroAfrica Group
Acquired by Letshego Group in 2012

BENJAMIN MUKETHA ,
Rwanda Acting CEO

OVERVIEW

14 462	52	4
NUMBER OF CUSTOMERS	**NUMBER OF EMPLOYEES**	**NUMBER OF OUTLETS**
FY2020: 13 915	FY2020: 50	FY2020: 4

PRODUCTS

LetsGo DIGITAL MALL

USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- Letshego Rwanda recorded an exceptional year with 52% growth in operating income driven by 77% growth in loans and advances to customers
- Achieved highest monthly payout since 2016 (BWP12 million)
- Maintained a high quality loan book with 0.5% NPL on the back of robust credit underwriting procedures. The quality of the book has improved year on year since 2018
- Commenced engagements for Digital Mall with both MSE and DAS customers
- Improved people engagement, with one of the highest scores in the Group
- Management team strengthened by the appointment of a Marketing Manager and Head of Business & Strategy

KEY

Lending | Payments | Lifestyle
Insurance | Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**52**	50	66
	DSAs	**n/a**	n/a	n/a
		52	50	66
Access anytime anywhere	Number of branches	**4**	4	8
	Number of Satellite offices	**n/a**	n/a	n/a
	Third Party Agents	**n/a**	n/a	n/a
		4	4	8
Asset quality	LLR to average gross advances	**(10%)**	(17%)	(32.8%)
	NPL's provision coverage	**0.5%**	263%	136%
Performance	Profit before tax and Group charges	**1**	1	3
	Net disbursements to customers	**39**	2	14
Advances	Loan book split	**57**	31	39
	Net Advances Formal Loans (P' million)	**1**	1	1
	Net Advances MSE Loans (P' million)	**56**	30	38
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**459**	480	622
	Number Formal Customers	**29**	59	109
	Number MSE Customers	**430**	421	513
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**34%**	35%	31%
Customer savings	Customer savings split	**23**	18	22
	Net Deposits Retail (P'Millons)	**16**	11	16
	Net Deposits Corporate (P'Millions)	**7**	7	6
	Customer split	**14 003**	13 435	9 784
	Number Retail customers	**13 969**	13 431	9 567
	Number Corporate Customers	**34**	4	217

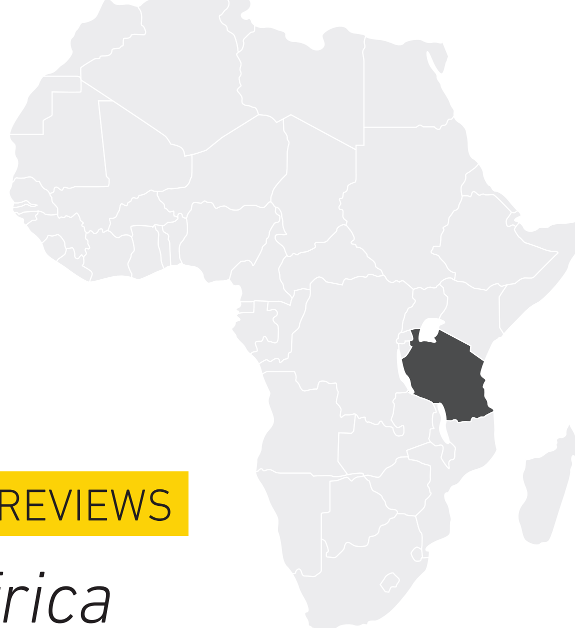
OPERATING ENVIRONMENT

2021 was a very challenging year due to the ongoing impacts of the COVID-19 pandemic, sluggish economic growth and negative cashflows for most businesses in Rwanda. The government of Rwanda, together with the Central Bank, introduced economic stimulus measures targeting the most affected sectors such as hospitality and transport.

Before the COVID-19 pandemic, Rwanda enjoyed strong economic growth, averaging over 7% GDP growth annually over the last two decades. Growth is projected to rebound in 2022, supported by high infrastructure spending and an uptick in the tourism sector as the effects of the pandemic dissipate. The implementation of the African Continental Free Trade Area is expected to boost intraregional trade, which will support growth.

LOOKING AHEAD

Letshego Rwanda will remain focused on the strategic agenda, leveraging the firm foundation we established over the past two years to accelerate loan book growth, digitization and enhance brand awareness. Our ambition is to grow the loan book through product enhancement, introduce new MSE segments and redefine the DAS product through digitalisation. During 2022, we will continue to build our operational capacity and drive a high performance culture for sustainable profitability.



REGIONAL REVIEWS

East Africa

TANZANIA FAIDIKA

Est. 2006

BARAKA MUNISI,
Tanzania Faidika CEO

OVERVIEW

27 755	59	103
NUMBER OF CUSTOMERS	**NUMBER OF EMPLOYEES**	**NUMBER OF OUTLETS**
FY2020: 29 202	FY2020: 86	FY2020: 103

PRODUCTS

LetsGo DIGITAL MALL

App
LetsGo Powered by Letshego

Web
https://www.letsgo.letshego.com/tz

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- 0.4% growth on Interest Income despite of increasing competition from low pricing commercial banks
- 6.4% increase on Non-Interest Income following increased focus on diversification of our revenue streams
- 7.4% decrease in operating costs due to increase in operating efficiencies on the back of digitisation
- Introduced Private Payroll and Bancassurance products in the last quarter of the year
- Finalisation of Digital Mall environment, launched in early 2022 with 140 000 Enterprise Active Customers (EAC)
- Turn Around Time (TAT) on customers disbursement improved by 25% due to introduction of Bank to Bank process
- More than 95% of employees were exposed to Coursera and Gibbs training platforms also Countrywide DSA Training

KEY

Lending
Payments
Lifestyle
Insurance
Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**59**	86	80
	DSAs	**276**	238	232
		335	324	312
Access anytime anywhere	Number of branches	**16**	16	16
	Number of satellite offices	**87**	87	87
		103	103	103
Asset quality	LLR to average gross advances	**5.3%**	(8.5%)	(1.5%)
	NPL's provision coverage	**55%**	63%	90%
Performance	Profit before tax and Group charges	**37.1**	77	96
	Net disbursements to customers	**62.1**	66	22
Advances	Loan book split	**312**	287	244
	Net Advances Formal Loans (P' million)	**312**	287	244
	Net Advances MSE Loans (P' million)	**n/a**	n/a	n/a
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**27 755**	29 202	32 754
	Number Formal Customers	**27 755**	29 202	32 754
	Number MSE Customers	**n/a**	n/a	n/a
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**34%**	34%	35%

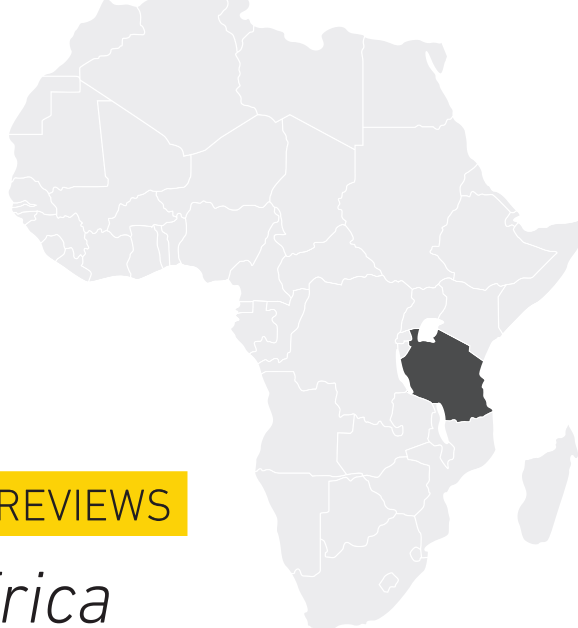
OPERATING ENVIRONMENT

An ongoing absence of salary increases and promotions in Tanzania in the wake of COVID-19 is limiting the growth of our Deduction and Source portfolio, with existing SME customers are struggling to qualify for an increase in capital to support education, health or housing needs. In response, we are focusing on Bancassurance product to support diversification.

Tanzania's developing financial sector is becoming increasingly competitive. Organisations that act swiftly and adapt to ensure they remain relevant to their customers will grow and those that are slower or unable to adapt will disappear or be taken over. We remain well positioned with the introduction of end-to-end interbank processing, which reduces turnaround times for our customers from 48hrs to 36hrs

LOOKING AHEAD

Faidika to secure a deposit taking licence by Q3 of 2022. Through our new savings, transacting and digital insurance products, we will be providing our customers with increased value and well-rounded services as a seamless, one-stop financial services provider, offering a wide range of relevant and innovative solutions to benefit existing and potential customers.



REGIONAL REVIEWS

East Africa

TANZANIA LETSHEGO BANK

Est. 2011
Group acquired Advans bank in 2015 and rebranded to Letshego Bank Tanzania.

OMAR MSANGI,
Tanzania Letshego Bank CEO

OVERVIEW

358 349
NUMBER OF CUSTOMERS
FY2020: 288 862

79
NUMBER OF EMPLOYEES
FY2020: 128

179
NUMBER OF OUTLETS
FY2020: 170

PRODUCTS

LetsGo DIGITAL MALL

- App
- Web
- WhatsApp
- USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- Successful launch of Banc Assurance product
- 75% growth in non-funded income, assisted by Bancassurance commission
- Launched short term insurance
- Tanzania Bank was recapitalised during the year
- Successful voluntary separation exercise programme carried out in 2021 to achieve optimal headcounts required by the business.
- Launched short loans in response to needs in the local environment
- Management team led by the appointment of new Chief Executive Officer

KEY
Lending
Payments
Lifestyle
Insurance
Deposits

PERFORMANCE

Country Statistics		**2021**	**2020**	**2019**
People	Number of FTE	**79**	128	140
	DSAs	**n/a**	n/a	n/a
		79	128	140
Access anytime anywhere	Number of branches	**5**	5	5
	Number of Satellite offices	**4**	4	5
	Third Party Agents	**170**	161	116
		179	170	126
Asset quality	LLR to average gross advances	**3.8%**	2.6%	1.8%
	NPL's provision coverage	**80%**	124%	105%
Performance	Profit before tax and Group charges	**(22)**	(13)	(6)
	Net disbursements to customers	**45**	81	95
Advances	Loan book split	**106**	128	106
	Net Advances Formal Loans (P' million)	**n/a**	n/a	n/a
	Net Advances MSE Loans (P' million)	**106**	128	106
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**52 359**	924	1 237
	Number Formal Loans	**n/a**	n/a	n/a
	Number MSE Customers	**52 359**	924	1 237
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**28%**	39%	39%
Customer savings	Customer savings split	**26**	45	32
	Net Deposits Retail (P' million)	**21**	42	24
	Net Deposits Corporate (P' million)	**5**	3	8
	Customer Split	**380**	365	396
	Number Retail Customers	**305 990**	287 938	228 282
	Number Corporate Customers	**305 610**	287 573	227 886

OPERATING ENVIRONMENT

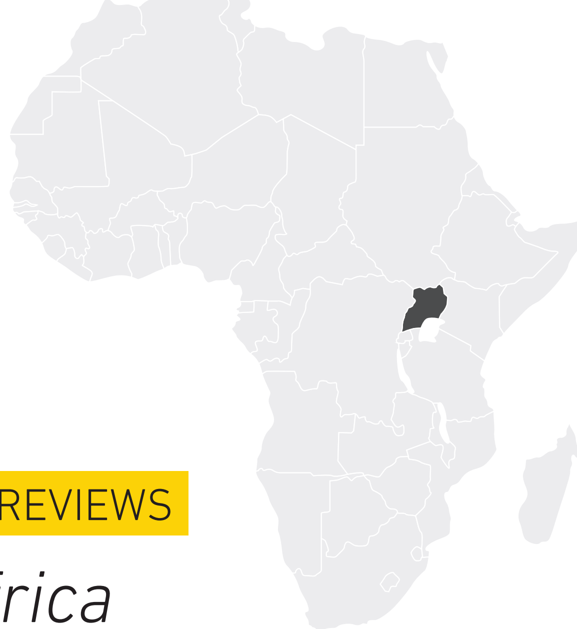
Letshego Bank Tanzania's (LBT's) core product was heavily impacted by the COVID-19 pandemic, leading to a deterioration of the loan book. During 2021, Tanzania's economy began to recover from the negative effects of the pandemic, with performance projected to improve following the resumption of the global economy and implementation of government recovery policies.

The Bank of Tanzania continued its accommodative monetary policy to support the growth of credit in the private sector, and the country consequently experienced growth in broad money supply over 2021. The overall lending rate averaged at 16.47% per annum, which is slightly lower than the rate charged by LBT.

LOOKING AHEAD

LBT is committed to improving the lives of all Tanzanians through the provision of a full suite of innovative financial products and services to meet the evolving needs of individuals, small businesses, and MSE's. The Bank will continue to grow and diversify its product portfolio through the LetsGo Digital platform, which will introduce a wellbeing product to our customers. Deposit mobilization remains a core focus in line with LBT's commitment to diversifying its product offering and increasing customer value. Innovative products targeting sole traders are also set to be introduced during the year ahead.

The bank will launch Deduction at Source and affordable housing financing in Q2 2022.



REGIONAL REVIEWS

East Africa

UGANDA

Est. 2005
Opened doors in 2005 as Micro Provident Uganda.
Rebranded to Letshego Uganda Limited in 2011

GILES AIJUKWE,
Uganda CEO

OVERVIEW

41 748	192	44
NUMBER OF CUSTOMERS	**NUMBER OF EMPLOYEES**	**NUMBER OF OUTLETS**
FY2020: 43 548	FY2020: 251	FY2020: 45

PRODUCTS

LetsGo DIGITAL MALL

- App
- Web
- WhatsApp
- USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- Profit before Tax (PBT) grew 7 fold, from P21.6 million in 2020 to P52.9 million in 2021
- Net interest income increased by 3.2%, while total expenditure reduced by 11.35%
- 4.4% in Net Loan portfolio growth compared to the prior year
- Borrowings increased just over 2% to fund future growth
- COVID-19 testing and working cohorts in place
- LetsGo Digital Mall launched in August 2021, followed by an EAC mobilisation drive
- Enhanced automation through digitised application processes
- Straight-through processing via USSD
- Enhanced lending criteria to support customer interests

KEY

Lending · Payments · Lifestyle · Insurance · Deposits

PERFORMANCE

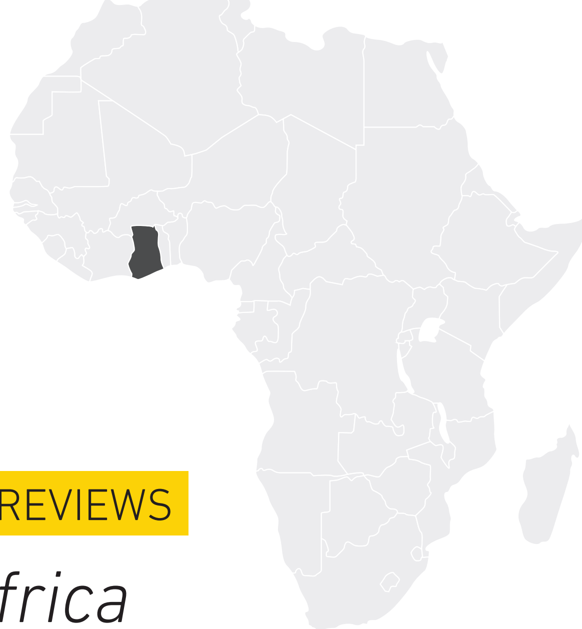
Country Statistics		2021	2020	2019
People	Number of FTE	**192**	251	253
	DSAs	**230**	218	225
		424	484	478
Access anytime anywhere	Number of branches	**21**	22	22
	Number of Satellite offices	**23**	23	23
	Third Party Agents	**n/a**	n/a	n/a
		44	45	45
Asset quality	LLR to average gross advances	**(0.4%)**	(0.3%)	4.0%
	NPL's provision coverage	**67%**	115%	95%
Performance	Profit before tax and Group charges	**53**	32	42
	Net disbursements to customers	**173**	183	217
Advances	Loan book split	**448**	379	345
	Net Advances Formal Loans (P' million)	**336**	269	249
	Net Advances MSE Loans (P' million)	**112**	110	96
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**41 748**	43 548	42 383
	Number Formal Customers	**31 719**	32 423	32 713
	Number MSE Customers	**10 029**	11 125	10 670
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**28%**	30%	30%

OPERATING ENVIRONMENT

COVID-19 was an unprecedented catalyst for digitalisation- with many branches temporarily shut down and most physical interactions minimised; we had to embrace self-service channels so as to provide a better customer experience. Through digitalisation, we have been able to integrate with MNO's and disburse to clients' mobile wallets in real time. Even internally, digitalisation is enabling remittance of funds to staff for facilitation, Direct Sales Agent rebates and commissions. With digitalisation, there is straight-through processing that cuts out manual interventions and drives efficiency. Today, a client can apply for a loan on Digital Mall and receive money within 24 hours.

OUTLOOK

Uganda's economic growth outlook is 4.6% in 2022, accelerating to 6.4% in the 2023 fiscal year, as domestic demand conditions improve, and global recovery continues. Letshego Uganda continues to evolve and enhance its digital platforms to meet the growing needs of customers, and delight in experience and convenience.



REGIONAL REVIEWS

West Africa

GHANA

Est. 2010
Opened doors in 2010 as AFB Ghana. Acquired by Letshego Group in 2017. Rebranded to Letshego Ghana in 2019

ARNOLD PARKER,
Ghana CEO

OVERVIEW

4 587 923
NUMBER OF CUSTOMERS
FY2020: 3 799 511

185
NUMBER OF EMPLOYEES
FY2020: 189

26
NUMBER OF OUTLETS
FY2020: 26

PRODUCTS

LetsGo DIGITAL MALL

- App
- Web
- WhatsApp
- USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- Business maintained strong growth from previous year, with customer numbers increasing by over 20%
- Improvement in loan loss ratio on the back of aggressive collections and recoveries on the DAS and mobile portfolio
- Non funded income improved due to increased disbursements across products
- Launched our our 'LetsGoPAY' Digital Account
- Loan book growth of 72%
- We have developed green lending in Ghana for:
  - Green Affordable Housing Development
  - Ecofridges Go initiative

KEY

Lending · Payments · Lifestyle · Insurance · Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**185**	189	194
	DSAs	**355**	381	308
		540	570	502
Access anytime anywhere	Number of branches	**8**	8	5
	Number of Satellite offices	**18**	18	22
		26	26	27
Asset quality	LLR to average gross advances	**(0.1%)**	(4.3%)	13.3%
	NPL's provision coverage	**171%**	143%	217%
Performance	Profit before tax and Group charges	**96**	116	14
	Net disbursements to customers	**6 029**	3 271	4083
Advances	Loan book split	**1 509**	963	662
	Net Advances Formal Loans (P' million)	**615**	720	449
	Net Advances MSE Loans (P' million)	**892**	4	4
	Net Advances Informal Loans (P' million)	**2**	239	210
	Customer Split	**4 513 816**	3 747 440	1 241 517
	Number Formal Customers	**48 885**	47 999	49 115
	Number MSE Customers	**28**	37	31
	Number of Informal Customers	**4 474 902**	3 699 404	1 192 371
	% Customers Female	**25%**	27%	31%
Customer savings	Customer savings split	**247**	51	11
	Net Deposits Retail (P' million)	**40**	11	2
	Net Deposits Corporate (P' million)	**207**	40	9
	Customer Split	**64 108**	52 071	37 590
	Number Retail Customers	**64 025**	52 060	37 575
	Number Corporate Customers	**83**	11	15

OPERATING ENVIRONMENT

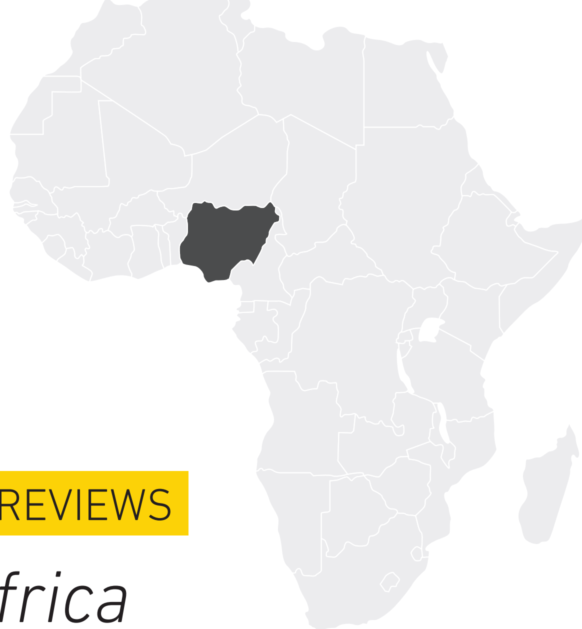
Ghana saw a broad economic slowdown following the onset of COVID-19. Inflation soared and exchange rates continued to worsen during 2021, leading to general uncertainty for years ahead. The Bank of Ghana maintained policy rate at 14.5%, signalling a modest expectation of economic growth as the country rebounds from the pandemic. GDP estimates for 2020 and 2021 show that although Ghana's economy has developed faster than predicted, debt levels have remained low.

Despite these challenges, Ghana was successful in launching its digitised channels to prioritise the health and wellbeing of our people and customers, while maintaining our delivery of value solutions and increasing access.

LOOKING AHEAD

Looking forward, Letshego Ghana will continue to diversify our product portfolio with innovative solutions such as our recent green-friendly offerings. We will continue to boost deposit mobilization and diversify our funding sources, while aligning capital requirements with the cycles of our business.

During 2022, we will further automate our systems to increase business efficiencies, and most notably, drive Letshego's LetsGo Digital Mall to spur access, delivery and choice for customers via their mobile phones. We look forward to deepening our offering to MSEs, all while upskilling our people to enable differentiated support to our customers.



REGIONAL REVIEWS

West Africa

NIGERIA

Est. 2008
Opened doors AS FBN Microfinance Bank in March 2008
Acquired by Letshego Group in 2015 and rebranded to Letshego MFB

TOLULOPE OPAYINKA,
Nigeria CEO

OVERVIEW

94 837
NUMBER OF CUSTOMERS
FY2020: 84 459

282
NUMBER OF EMPLOYEES
FY2020: 281

22
NUMBER OF OUTLETS
FY2020: 22

PRODUCTS

LetsGo DIGITAL MALL

- App
- Web
- WhatsApp
- USSD

2021 FINANCIAL AND STRATEGIC HIGHLIGHTS

- Operating income increased from P61.8 million in 2020 to P73.9 million in 2021
- Digital adoption rates increased with greater volumes in online loan applications
- Growth in both gross and net advances compared to the prior year
- Digitised Credit Scoring implemented to boost asset quality in DAS portfolio
- Launched the LetsGo Digital Mall, providing product diversification and ease of customer access
- Established partnership with Remita, a payments platform, to streamline Deduction at Source

KEY
Lending
Payments
Lifestyle
Insurance
Deposits

PERFORMANCE

Country Statistics		2021	2020	2019
People	Number of FTE	**282**	281	265
	DSAs	**203**	123	70
		485	404	335
Access anytime anywhere	Number of branches	**22**	22	24
	Number of Satellite offices	**0**	n/a	n/a
		22	22	24
Asset quality	LLR to average gross advances	**9.7%**	4.8%	3.2%
	NPL's provision coverage	**82%**	101%	92%
Performance	Profit before tax and Group charges	**6**	6%	7
	Net disbursements to customers	**159**	133	142
Advances	Loan book split	**143**	131	106
	Net Advances Formal Loans (P' million)	**102**	85	65
	Net Advances MSE Loans (P' million)	**41**	46	41
	Net Advances Informal Loans (P' million)	**n/a**	n/a	n/a
	Customer Split	**25 860**	21 457	16 007
	Number Formal Customers	**16 402**	13 836	9 502
	Number MSE Customers	**9 458**	7 621	6 505
	Number of Informal Customers	**n/a**	n/a	n/a
	% Customers Female	**44%**	44%	43%
Customer savings	Customer savings split	**54**	49	41
	Net Deposits Retail (P' million)	**24**	31	35
	Net Deposits Corporate (P' million)	**29**	18	6
	Customer Split	**68 977**	63 002	70 275
	Number Retail Customers	**68 867**	62 950	70 261
	Number Corporate Customers	**110**	52	34

OPERATING ENVIRONMENT

Nigeria experienced elevated political tension and market lobbying increased prior to election season.

Nigeria's environment remains competitive as more fintech companies and commercial banks move into the microfinance space. Three mobile networks have been granted licences to operate as payment service banks. Letshego Nigeria's digitalisation strategy stands to deliver a step-change in access, delivery and customer experience to seize niche market opportunities.

LOOKING AHEAD

During 2022, Letshego Nigeria will be pursuing additional strategic partnerships to diversify and grow the Bank's loan book and collection methodologies. We will also focus on aligning Nigeria's operating model more closely with the Group's regional model to support cost reduction and business efficiencies. We will continue to drive deeper expansion outside the Lagos area to seize broader market potential.

2022 will see enhanced customer value with the commencement of its physical channel/branch network review process, supporting Letshego's transformation strategy and shift to a digital-first organisation.

Our leadership

GROUP BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

ENOS BANDA (56)

Chairman and Independent Non-Executive Director

Appointed 2016
LL.M, D.Jur, BA Financial Accounting

- A lawyer by training and ex-investment banker, Enos has practised law in both South Africa and the USA
- Enos has served in national regulatory and government agencies, including the South African (SA) National Electricity Regulator, and the Municipal Infrastructure Investment Unit of the SA government
- Former chairman of Gold Reef Resorts Limited (now merged with Tsogo Sun); Former chairman of Budget and Audit Committee. Member of Norilsk Nickel MMC, an LSE listed resources company
- Founder member of Freetel Fund Management, a South African based fund.

Committee memberships
Chairman of the Group Governance and Nominations Committee (GGNC)

Nationality: South African
Residence: USA
Shareholding: None

DR GLORIA SOMOLEKAE (63)

Independent Non-Executive Director

Appointed 2016
BA, MA Public Policy and Administration, PhD in Public Administration

- Gloria is currently the Head of Governance and Administration (senior research fellow) as well as Acting CEO at the Botswana Institute for Development Policy Analysis (BIDPA)
- She is the former managing director for GS Development and Strategy consulting where she consulted on a number of areas including Development Management, Business Regulatory Compliance, Rural Development Policy and practice among others
- Former lecturer in public administration at the University of Botswana
- Gloria is a career academic with a strong focus on, and expertise in, philanthropy and public policy, development management, public sector governance, capacity building and sustainable development
- She has built an illustrious career spanning 30 years that has included leading roles in academia, philanthropy, and the public sector
- In 2011 she was appointed as specially elected member of the Botswana Parliament, in which she held various cabinet positions
- Her work in the private foundation space involved grant making (including microfinance) primarily with the Kellogg Foundation.

Committee memberships
Chairperson of the Group Remuneration Committee (GRemCo)

Member of the Group Audit Committee (GAC)

Member of the GGNC

Nationality: Batswana
Residence: Botswana
Shareholding: None

HANNINGTON R. KARUHANGA (63)

Independent Non-Executive Director

Appointed 2013
BA (Hons), MBA

- Hannington has over 25 years of commodities trading experience, of which more than 15 years were spent as Group managing director of Sucafina S.A. Group of Companies
- He previously worked as marketing manager for the Uganda Coffee Marketing Board Limited for over nine years
- His former directorships include Board chairman of Stanbic Bank Uganda (2004-2008)
- He currently sits on various boards, including Airtel Uganda, Line Assurance and Uganda Coffee Development Authority and he is the Managing Director of Savannah Commodities.

Committee memberships
Chairman of the Group Strategy and Investment Committee (GSIC)

Member of GAC

Member of GRemCo

Nationality: Ugandan
Residence: Uganda
Shareholding: 33 405

ABIODUN ODUBOLA (62)

Independent Non-Executive Director

Appointed 2019
BSc Agricultural Economics; MBA

- Abiodun Odubola has 30 years of commercial banking experience covering relationship management, credit underwriting, credit risk management, country risk management and country audit at blue chip financial institutions, including Firstbank Nigeria, Ecobank Nigeria, Metropolitan Bank Nigeria, Citibank Nigeria and Citibank NA United Kingdom
- Abiodun has held non-executive director (NED) roles at financial institutions within and outside of Nigeria, and currently sits on the Board of two non-banking financial institutions, in addition to the Letshego Group. In 2016, Abiodun founded Camrose Nigeria Limited, a consulting firm that provides international firms and institutions with financial advisory services in risk, credit management, and debt and equity raising.

Committee memberships
Chairman of the Group Risk, Social and Ethics Committee (GRSEC)

Member of GRemCo

Member of the GAC

Nationality: Nigerian
Residence: Nigeria
Shareholding: None

GROUP BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

GERRIT LODEWYK VAN HEERDE (54)

Non-Executive Director

Appointed 2014
B. Com (Hons), Fellow of the Institute and Faculty of Actuaries

- Gerrit is a Group Executive of Sanlam Emerging Markets (SEM) and represents SEM on various Boards including Botswana Insurance Holdings Limited
- His responsibilities include life and short-term insurance, asset management and credit
- Prior to his current position, he held various positions at Sanlam Group, which include CFO for SEM and oversight responsibility for Sanlam Home Loans and Angola African Finance.

Committee memberships
Member of GRSEC

Member of GSIC

Nationality: South African
Residence: South Africa
Shareholding: None

PHILIP ODERA (63)

Independent Non-Executive Director

Appointed 2019
Bachelor of Economics from St. Lawrence University, USA, MBA in Finance from Suffolk University in Boston

- Philip Odera has more than 30 years of financial and banking experience, having led diverse country operations for international banking institutions across sub-Saharan Africa
- Philip spent 17 years with Stanbic in Africa, in country leadership roles including Deputy Managing Director for Tanzania, and Country Chief Executive for four of Stanbic's regional markets, namely Malawi, Uganda, South Sudan and most recently, Kenya
- Prior to Stanbic, Philip began his banking career as a graduate with Citibank Kenya, progressively ascending through the ranks to Vice President of Citibank Kenya. He then relocated to Citibank Congo as the Country Corporate Officer
- Today Philip continues to share his knowledge and experience by advising multiple, talented organisations and entrepreneurs in his role as Executive Partner at Titans D'Afrique.

Committee memberships
Member of the GAC

Member of GGNC

Member of GSIC

Nationality: Kenyan
Residence: Kenya
Shareholding: None

CATHERINE LESETEDI (54)

Non-Executive Director

Appointed 2017
BA Statistics and Demography, MDP, Advanced Insurance Practice and Diploma in Insurance Studies, Associate of the Insurance Institute of South Africa

- Catherine is the Group Chief Executive Officer of Botswana Insurance Holdings Limited (BIHL) and represents BIHL on a number of Boards, including Funeral Services Group Limited, Bifm Unit Trusts, Botswana Insurance Company Limited, Nico Life, Nico Pensions Company and Nico Holdings
- She has a history of working in the insurance industry, and is skilled in negotiations, budgeting, analytics, coaching and entrepreneurship
- Prior to her current position, she held various positions within BIHL Group and AON Botswana, including Head of Corporate and High Value Business and General Manager of Life and Employee Benefits.

Committee memberships
Member of GGNC

Member of GRemCo

Nationality: Batswana
Residence: Botswana
Shareholding: None

RONALD HOEKMAN (58)

Independent Non-Executive Director

Appointed 2020
Diploma, Dutch Banking Institute (IBE)

- Over 20 years of international banking and finance experience
- Consults with leading institutions to bolster existing risk frameworks to meet evolving, international standards in effective risk management and reporting
- Advises multi-geography micro finance institutions on enhancing their credit and risk frameworks.
- Clients include public and private entities, including the IFC and World Bank, as well as mobile network operators
- Ronald brings experience from diverse global economies across sub-Saharan Africa, as well as Equatorial Guinea, Uzbekistan, the Czech Republic, Ukraine, and Azerbaijan.

Committee memberships
Member of GRSEC

Member of GGNC

Member of the GSIC

Nationality: Dutch
Residence: Czech Republic
Shareholding: None

GROUP BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

ROSE MWAURA (50)

Independent Non-Executive Director

Appointed 2021
Bachelor of Commerce Accounting (Hons) Degree. Member of the Institute of Certified Public Accountants of Kenya, Certified Public Accountant, Certified Executive Coach

- Rose has over 25 years' experience in providing commercial and financial advisory, audit, assurance and governance services to various organisations
- A wide-ranging experience in expansive leadership roles in governance and public policy across three continents including the United States; Africa and India
- Currently an Independent Non-Executive Director and the Chairperson of the Audit Committee at Kenya's Jubilee Life Insurance
- Member of the Council of KCA University where Rose chairs the Audit, Risk and Compliance Committees, as well as serving as the Vice Chairperson of the Kenya Private Sector Alliance Public Finance Sector Board.
- Her international experience demonstrates a solid track record in fostering public sector partnerships that collaborate and create facilitative public policy and legislation
- Certified Executive Coach helping top professionals to unlock their own individual growth potential
- Certified Public Accountant, Rose is a registered member of the Institute of Certified Public Accountants of Kenya and holds a Bachelor of Commerce Accounting (Hons) degree from the University of Nairobi.

Committee memberships

Incoming Chair of the Group Audit Committee (GAC)

Member of Group Risk, Social and Ethics Committee (GRSEC)

Member of the Group Strategy and Investment Committee (GSIC)

Nationality: Kenyan
Residence: Kenya
Shareholding: None

STEPHEN PRICE (70)

Independent Non-Executive Director

Appointed 2013
BA (Hons) Chemical Engineering, Fellow member of the Institute of Chartered Accountants of England and Wales

- Stephen is a Fellow of the Institute of Chartered Accountants of England and Wales
- A former partner at Ernst & Young (UK), where he served for 18 years
- Co-founded AXYS Corporate Advisory (formerly FSI Capital), an advisory firm that supports investment into emerging market financial services companies, globally
- Extensive merger and acquisition transaction advisory and consulting experience for banks and other financial institutions in the UK, and more than 40 countries in ASPAC and CEEMEA regions, spanning over 20 years
- Stephen continues to provide consultancy and advisory services for these sectors.

Committee memberships

Chairman of the Group Audit Committee (GAC)

Member of the Group Risk, Social and Ethics Committee (GRSEC)

Member of the Group Strategy and Investment Committee (GSIC)

Nationality: British
Residence: United Arab Emirates
Shareholding: None

AOBAKWE AUPA MONYATSI (43)

Interim Group Chief Executive

Appointed May 2022
Duke University Executive Development Programme (UK), University of Botswana B.Acc degree, Association of Chartered Certified Accountants (ACCA) Part 2, General Certificate of Education (Cambridge)

- Aupa was appointed Interim Group Chief Executive on 4 May 2022, having joined the Letshego Group as Group Chief Operating Officer in March 2020
- He is a well-rounded and experienced regional banker, bringing over 18 years of leadership expertise gained from various senior roles in Africa's financial services sector
- Prior to joining Letshego, Aupa led numerous teams within the Absa Barclays Group, with the most recent role being Managing Executive: Alternative Channels, where he was responsible for spearheading and developing the regional bank's digital innovation and virtual channel strategy
- Having spent several years travelling between Ghana, Senegal and Nigeria incubating select fintech's to drive financial inclusion through mobile money, block chain and Artificial Intelligence (AI), Aupa's digital and technical expertise evolved into a proficient passion
- In line with his focus and expertise in fintech development, Aupa also spent time in Silicon Valley (USA) and Spain to benchmark global trends in innovation
- Prior to his Absa Group role, Aupa held numerous leadership positions in Barclays Botswana, including Chief Operating Officer and Head of Distribution Channels, with his latest role being Acting Managing Director Botswana before transferring to ABSA Group responsibilities from Absa's regional head office in South Africa.

Committee memberships
None

Nationality: Batswana
Residence: Botswana
Shareholding: None

GWEN MUTEIWA (46)

Group Executive Director; Group Chief Financial Officer

Appointed 2020
B Comm Accounting, Hons BCompt (Accounting), Chartered Accountant (Zimbabwe & Botswana)
MBA Steinbeis University, Germany

- Gwen has over 20 years of experience in banking and financial services
- Joined Letshego from the role of Group Chief Financial Officer at ABC Holdings Ltd (BancABC, part of Atlas Mara), where Gwen was responsible for the finance function in six operations in Southern and East African markets
- Spent 12 years at ABC Holdings in roles including the Chief Financial Officer for Zimbabwe, incorporating retail and wholesale banking, asset management and micro-lending subsidiaries, as well as a role of Group Head of Finance Transformation
- In her transformation role Gwen led the implementation of a financial controls framework, standardisation of financial control systems and processes across the Group
- Gwen spent several years in the Zimbabwe banking sector, including three years as Managing Director for a local merchant bank, where she was responsible for strategy implementation, customer acquisition and growth, as well as a stint in corporate advisory.

Committee memberships
None

Nationality: Zimbabwean
Residence: Botswana
Shareholding: None

GROUP BOARD OF DIRECTORS

BOARD MOVEMENTS

- Subsequent to the year end, in March 2022, Runa Alam resigned from the Board.
- Andrew Okai's role as Executive Director of the Group Board was terminated in May 2022.

GROUP EXECUTIVE COMMITTEE

AOBAKWE AUPA MONYATSI

Interim Group Chief Executive (GCE)

- All members of the Group Executive Committee report to the GCE
- Group Strategy development and execution
- Governance
- Risk Management
- Delivery of Shareholder value
- Stakeholder Engagement

GWEN MUTEIWA

Group Chief Financial Officer

- Financial Strategy
- Tax Management
- Financial and Regulatory Reporting
- Financial Control
- Treasury
- Capital Management

FREDERICK MMELESI

Group Chief Corporate Development Officer

- Partnerships
- Mergers and Acquisitions
- Strategic Projects
- Government and Strategic Relationships

NKOSANA NDLOVU

Group Chief Internal Auditor

- Financial & Business Assurance
- IT and Projects Assurance
- Combined Assurance
- Special Audits
- Outbound Due Diligence

FERGUS FERGUSON

Botswana CEO and Regional Head Eswatini and Lesotho

- Botswana
- Lesotho
- Eswatini

GROUP EXECUTIVE COMMITTEE

CHIPILIRO KATUNDU

Group Chief Product Officer

- Consumer Finance
- Savings and Deposits
- Payments and Remittances
- Insurance
- Distribution
- MSE and Programmatic Lending

RICHARD OCHIENG

Group Chief Risk Officer

- Enterprise Risk Management
- Credit Risk
- Business & Market Risk
- Operational Risk
- Fraud Risk

KAMOGELO CHIUSIWA

Group Chief People and Culture Officer

- People and Culture Transformation
- Organisational Effectiveness
- Talent Sourcing and International Mobility
- Employee Relations and Wellness
- Learning and Development

LOOKING AHEAD

During 2022, in line with our refreshed organisational design, the Group intends to select and appoint executives to fill the following positions:

Group Chief Digital Officer
- Analytics
- Data Strategy
- Digital Product Management
- Digital Design
- Engineering
- Agile Coaching

Group General Counsel & Chief Compliance Officer
- Legal Risk
- Governance Framework
- Compliance Framework
- Financial Crime

Group Chief Marketing & Communication Officer
- Customer Experience
- Marketing Strategy
- Corporate Affairs & Strategic Comms
- Customer Insights
- Digital Marketing
- Innovation
- Investor Relations

Regional Business Head East & West
- Kenya
- Tanzania
- Uganda
- Rwanda
- Ghana
- Nigeria

COUNTRY CHIEF EXECUTIVE OFFICERS

SELLOANE TSIKE

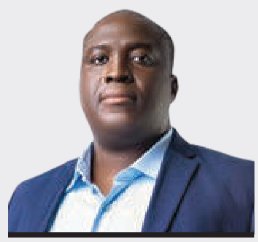
Lesotho

Nationality: Masotho
Residence: Lesotho

FERGUS FERGUSON

Botswana

Nationality: Batswana
Residence: Botswana



ARNOLD PARKER

Ghana

Nationality: Ghanaian
Residence: Ghana

ADAM KASAINE

Kenya

Nationality: Kenyan
Residence: Kenya

CARLOS NHAMAHANGO

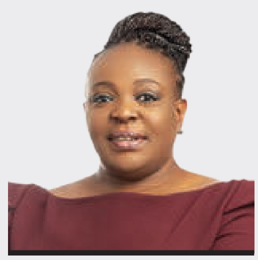
Mozambique

Nationality: Mozambican
Residence: Mozambique

ESTER KALI

Namibia

Nationality: Namibian
Residence: Namibia



TOLULOPE OPAYINKA

Nigeria

Nationality: Nigerian
Residence: Nigeria

MONGI DLAMINI

Eswatini

Nationality: Liswati
Residence: Eswatini

BENJAMIN MUKETHA*

Rwanda

Nationality: Kenyan
Residence: Rwanda

GILES AIJUKWE

Uganda

Nationality: Ugandan
Residence: Uganda

OMAR MSANGI*

Tanzania Letshego Bank

Nationality: Tanzanian
Residence: Tanzania

BARAKA MUNISI

Tanzania Faidika

Nationality: Tanzanina
Residence: Tanzania

* *Acting CEO*

Our approach to good governance

The Letshego Group Board oversees a group of companies that operate across 11 African countries. Its role includes safeguarding our brand promise, while ensuring that the Group continues to create value for generations to come.

The Board, in executing its fiduciary duties, among other things, remains the accountable custodian of corporate governance. It is committed to ensuring, collectively and individually, that sound governance principles are fully integrated into all aspects of the business.

As a result, Letshego Group's policies, processes and procedures are controlled and executed according to a structured and formal system. This encompasses managing the expectations of the Group's various stakeholders.

These interest groups include those stakeholders who:

- are affected by our business,
- could potentially influence how we conduct business
- have an interest in the Group's actions and how these are being performed.

Letshego Group remains committed to open and transparent disclosure regarding not only our strategy, but our governance principles and practices.

ORGANISATIONAL ETHICS

Our brand promise is to improve lives. Ethical leadership is paramount as it forms the basis for clients' and key stakeholders' trust in the Group.

The Board is committed to achieving the Group's strategy with integrity, high ethical standards and in compliance with all applicable laws, while being a responsible corporate citizen.

ETHICS AND BUSINESS CONDUCT

The Board is guided by the following set of ethics and business conduct principles, as outlined in Letshego's Board Charter:

- Letshego's values
- Full compliance with all applicable local and international legislation as well as regulatory requirements
- Commitment to maintaining and fostering an inclusive, empowering employee culture and working environment
- Protect the intellectual property, information and data of our business, systems and strategy
- Protect and maintain the best interests of Letshego's stakeholders
- Proactively identify, manage and mitigate possible, emerging, actual or perceived conflicts or interests
- Celebrate and leverage ongoing innovation, development, commitment and success
- Empower and encourage its people and stakeholders to report any unlawful conduct.

The Directors are fully committed to these principles, which ensures that the business is managed according to the highest ethical standards, even beyond lawful compliance, within its operating environment, as well as social, political and physical environment.

An ethics hot line is in place and is monitored by an independent source (Deloitte).

MAINTAINING OUR BRAND PROMISE

Our business philosophy – or Group 'uniqueness' describes how the Group acts and conducts its business as a unified brand across multiple subsidiaries and jurisdictions. Our brand character is underpinned by our:

- Vision and values
- Agile and flexible culture
- Innovative and solution orientated approach
- Strong ties with business partners
- Client-centricity
- Business responsibility.

GOVERNANCE IN ALL MARKETS

To support and develop mature governance and ethics structures and processes in all the markets where Letshego operates, all companies across the Group are expected to adhere to and confirm compliance with Letshego's governance principles.

Letshego Holdings Limited remains resolute in implementing and embedding the Group-wide Compliance and Corporate Governance Frameworks premised on the following enablers:

- Corporate Governance Framework for the Group and its subsidiary Boards
- Relevant Group-wide policies
- Group-wide Code of Ethical Conduct and Whistleblowing Facility
- Commitment to Group strategy and brand promise.

Subsidiary Boards provide fiduciary leadership to oversee execution of strategy and related policies and to ensure that country management maintains internal controls for assurance of effective and efficient operations and compliance with laws and regulations. A key aspect of the composition of the Boards is meeting the requirements of King IV principles.

In addition, the Group continuously reviews and assesses the maturity of the risk management processes across the Group. There continues to be a strong focus on increasing the awareness, capacity and knowledge among Group entities.

TRAINING AND AWARENESS

The Group has a comprehensive programme that educates and empowers Group employees in terms of their obligations, roles and responsibilities. Training also ensures employees are well equipped to support the dynamic strategic agenda of the Group. This programme contributes to a culture of trust. Our training and awareness programmes, underpinned by clear policies, ensure that Group employees:

- Are aware of the values and behaviours expected of them as outlined in our code of conduct, including those relating to giving out or receiving gifts and entertainment
- Undertake fighting financial crime training, which covers anti-bribery, anti-corruption and anti-money laundering
- Develop an awareness of situations of real or perceived conflict of interest and learn how to deal with them when they arise
- Deal with customers transparently, respectfully and fairly
- Are aware of the tools available to them to report any unethical behaviour or suspected fraud, through our whistleblowing programme.

GOOD GOVERNANCE CRITERIA AND EXTERNAL GUIDELINES

As the custodian of governance, the Board is ultimately responsible for ensuring there is effective control within the business. The Board ensures effective control a number of mechanisms, including:

COMMITMENT TO THE GOVERNANCE PRINCIPLES SET OUT IN KING IV™

The Board remains committed to the principles of King IV™ and ensures that its recommendations are materially entrenched into the Board's internal controls, policies, terms of reference and overall procedures and processes. A King IV Application Register, setting out how the company has applied the principles of King IV, is available on page 118 of this report.

THE BOARD CHARTER

The roles and responsibilities of the Board and individual Directors are set out in the Board Charter which is aligned with the provisions of relevant statutory and regulatory requirements and is reviewed on an annual basis.

The Board Charter, which is aligned to King IV, sets out the following:

- The Board's responsibilities and functions, including safeguarding the Board's collective and individual members' independence
- Role of the Board, as distinct from the roles of the Shareholders, the Chairman, individual Board members, the Company Secretary and other Executives of the Group
- Powers delegated to various Board Committees
- Matters reserved for final decision-making or approval by the Board and Policies and practices of the Board with respect to matters such as corporate governance, trading by directors in the securities of the Group, declaration of personal interests and potential conflict of interest, Board meeting documentation, alternative dispute resolution, and business continuation/disaster recovery proceedings and procedures.

GOVERNANCE STRUCTURES AND DELEGATION

The company's governance structure provides for Delegation of Authority, while enabling the Board to retain effective control. Such structures similarly support and enable the informed oversight exercised by the Board. The Board delegates authority to established Board committees, Group Chief Executive as well as the Group Financial Officer with clearly defined mandates.

COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND GOVERNANCE PRACTICES

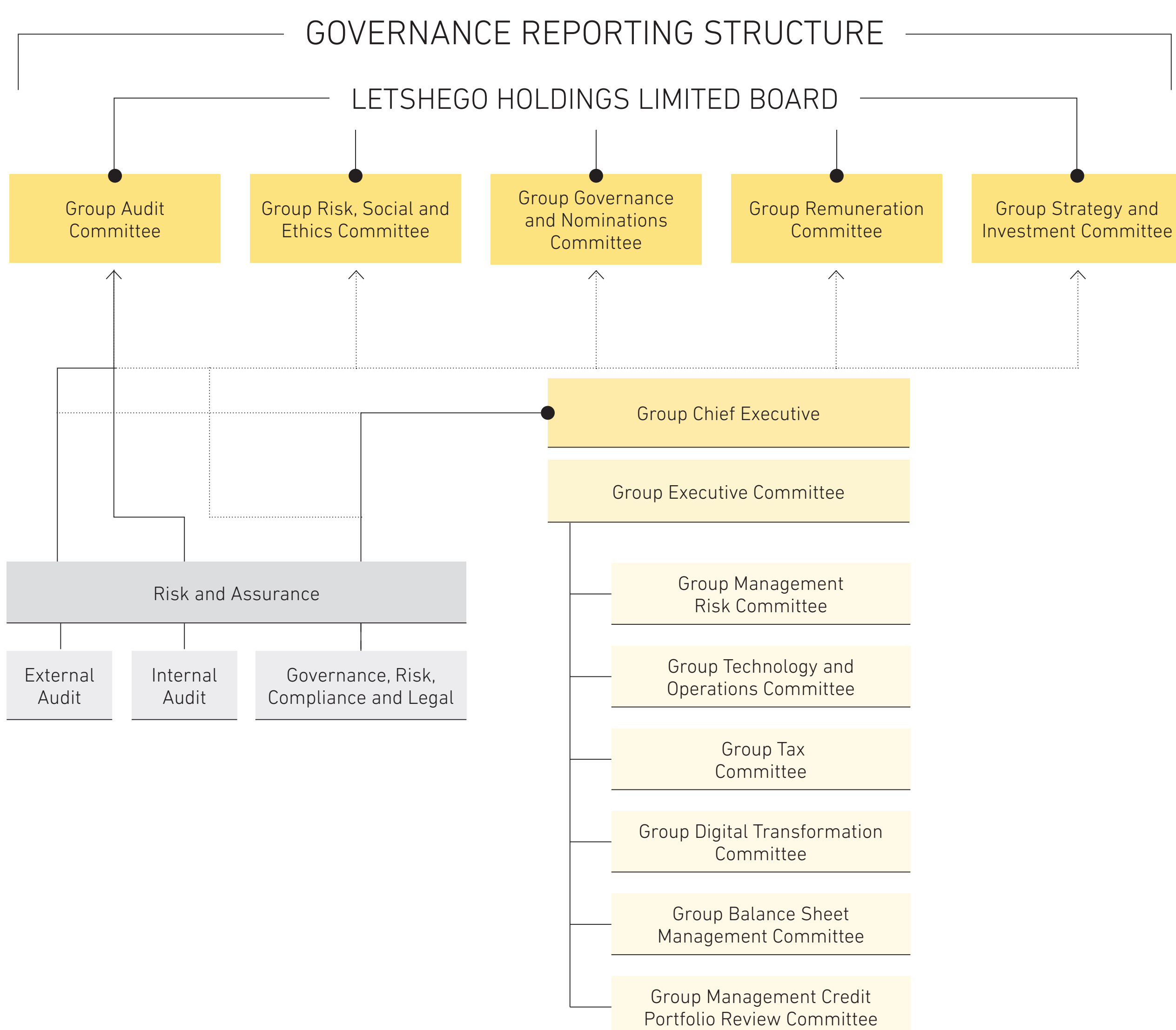
We are subject to enquiries, examinations, requests for information, audits, investigations, legal and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) consumer protection measures, compliance with legislation and regulations, wholesale trading activities and other areas of banking and business activities in which the Group is or has been operating.

The decisions and actions taken by the Board ensure that the company subscribes to full compliance with applicable laws, regulations and governance practices. This function is delegated to the Group Management Risk Committee. During the financial year, the company was fully compliant with the requirements of the Debt Listing requirements of the Johannesburg Stock Exchange (JSE) and the Botswana Stock Exchange (BSE).

The Board and Committees

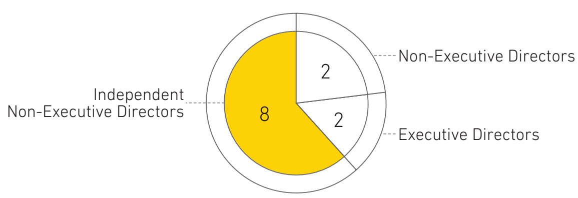
Our Board plays a pivotal role in creating and protecting value by approving strategy, setting policy, ensuring capital prudence, and overseeing the Group's governance frameworks and control environment. Governance, risk and operational discussions are founded in strategic consideration and interrogation. The Board applies its diverse and relevant mix of skills and expertise to deliberate and constructively challenge, thus ensuring that management is held to account.

The Executive Committee, and its various management subcommittees, report to the Board and Board committees in accordance with their respective mandates to ensure the appropriate flow of information from the mandated executive forums to the relevant oversight forums.



BOARD COMPOSITION

Board profile



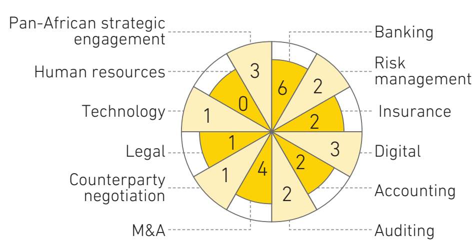
The independence of directors is reviewed annually.

2021 Board Opinion

Board composition is sufficiently independent to ensure diverse mind-sets and opinions. The Board Chair, Mr Enos Banda, is independent and free from any conflicts of interest.

Skills

Members with the specified skill



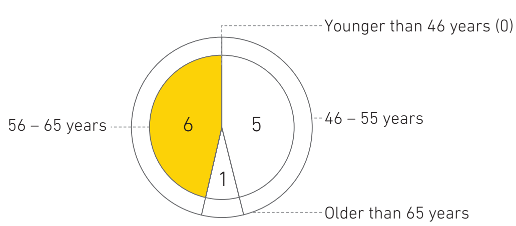
Where gaps in knowledge or skills are identified, directors are provided with development training and/or new appointments are made. The Board has access to subject matter experts for matters requiring specialised guidance.

2021 Board Opinion

The Board skills mix is appropriately aligned to the Group's strategy and operating environment.

Age

Average age: 57



We seek to balance experience and institutional memory with youthful energy and fresh insight. The Board addresses succession planning and ensures that skillsets are retained following the retirement of members.

2021 Board Opinion

Board succession plans are adequate, including the interim measures in the event of an unforeseen loss of expertise.

Diversity

NATIONALITIES REPRESENTED:

9

1. Batswana
2. Ghananian
3. Kenyan
4. Nigerian
5. South African
6. Dutch
7. Ugandan
8. British
9. Zimbabwean

WOMEN REPRESENTATION:

33%

The Board appointment policy ensures a formal and transparent appointment process with a focus on gender and race diversity, as well as skill, experience, qualities and broader diversity.

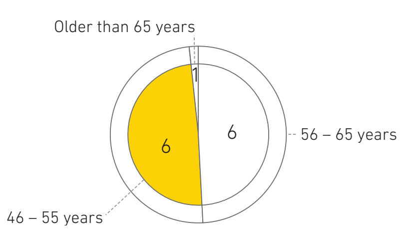
2021 Board Opinion

The requirements of the Board appointment policy have been met and exceeded.

As Board Members resign or retire, the Board appoints new directors in accordance with our diversity and inclusion policy.

Tenure

Average years of tenure: 4



The Group Governance and Nominations Committee recommends all new Board appointments and directors who are retiring by rotation, for re-election.

2021 Board Opinion

There are no relationships or circumstances likely to affect, or which appear to affect the judgement of Enos Banda, Philip Odera and Abiodun Odubola as directors who are retiring by rotation at the AGM in 2022.

In line with King IV recommended practice, the independence of the Board Chair was reviewed in 2021.

LEADERSHIP ROLES AND FUNCTIONS

NON-EXECUTIVE DIRECTORS (NEDs)

All members of the Board have a fiduciary responsibility to represent the best interest of the Group and all of its stakeholders. The Group's Non-Executive Directors are individuals of a high calibre and credibility who make a significant contribution to the Board's deliberations and decisions. They have the necessary skills and experience to exercise judgement on areas such as strategy, performance, transformation, diversity and employment equity.

THE CHAIRMAN

The Chairman's role is to set the ethical tone for the Board and to ensure that the Board remains efficient, focused and operates as a unit. Enos Banda is an independent, Non-Executive Chairman and his role is separate from that of the Group Chief Executive. Enos Banda provides overall leadership to the Board and the Chief Executive without limiting the principle of collective responsibility for Board decisions.

CHIEF EXECUTIVE

The Board appoints the Chief Executive to lead and implement the execution of the approved strategy. Mr Aobakwe Monyatsi upon his election to the Board, as the Interim Chief Executive, supported by the Group's Chief Financial Officer, Gwen Muteiwa, serves as the link between management and the Board and is accountable to the Board. It is also noted that for the period under review, the substantive CEO was Mr Andrew Okai whose contract was terminated on 3 May 2022. The Chief Executive reports on the progress made against the implementation of the strategy. The Group Remuneration Committee evaluates the performance of the Chief Executive against approved targets on an annual basis.

COMPANY SECRETARY

The Company Secretary plays a vital role in the corporate governance of the Group and is responsible for ensuring Board compliance with procedures and regulations of a statutory nature. The company secretary ensures compliance with the Botswana Stock Exchange (BSE) listings requirements, ensuring the proper administration of the affairs of the Board and the company through adherence to applicable laws, regulatory frameworks and the JSE Debt Listing requirements.

The Company Secretary's primary responsibilities are to:

- ensure that Board procedures are followed and reviewed regularly;
- ensure applicable rules and regulations for the conduct of the affairs of the Board are complied with;
- maintain statutory records in accordance with legal requirements;
- guide the Board as to how its responsibilities should be properly discharged in the best interest of the company;
- keep abreast of, and inform, the Board of current and new developments regarding best practice corporate governance thinking and practice;
- ensure that Board and Committee Charters are kept up to date;
- circulate Board and Committee meeting papers in good time;
- assist in eliciting responses, input and feedback for Board and its Committee meetings; and
- assist the Group Governance and Nominations Committee (GGNC) to ensure that the correct procedures are followed for the appointment and induction of directors.

At the date of this report, the Board has appointed Lebogang Rathedi as the interim Company Secretary. The Board satisfied itself regarding Lebogang Rathedi's work experience, performance, technical skills and overall competence in fulfilling her role as Company Secretary. Lebogang Rathedi reports to the Chairman on all statutory duties and functions performed relating to the Board. Lebogang Rathedi is a legal and compliance professional with 6 years experience.

BOARD MEETINGS AND PROCEDURES

The Board meets at least quarterly during the year. In addition, during 2021 Board members attended:

- an annual strategy review meeting
- separate Board and Group Audit Committee meetings to review and approve final year end audited financial statements

Directors are fully briefed by the Company Secretary and receive all the necessary information ahead of scheduled Board and Committee meetings, to enable them to discharge their responsibilities.

Director	Board Meeting	GAC	GRSEC	GRemCo	GGNC	GSIC	Strategy	Ad-hoc meetings	Independent Board
E Banda (Chairman)	8/8	–	–	–	5/5	–	2/2	1/1	3/3
S Price	8/8	5/5	4/4	–	–	3/3	2/2	1/1	4/4
H Karuhanga	8/8	5/5	–	5/5	–	3/3	2/2	1/1	3/3
G Somolekae	8/8	5/5	4/4	5/5	5/5	–	2/2	1/1	3/3
R Hoekman	8/8	–	4/4	–	5/5	3/3	2/2	1/1	3/3
P Odera	8/8	5/5	–	–	5/5	3/3	2/2	1/1	4/4
A Odubola	8/8	5/5	4/4	5/5	–	–	2/2	1/1	3/3
R Mwaura	1/1	1/1	1/1	–	–	1/1	–	1/1	3/3
R Alam	8/8	–	–	5/5	–	–	2/2	1/1	–
C Lesetedi	8/8	–	–	4/5	4/5	–	–	–	–
G van Heerde	8/8	–	4/4	–	–	3/3	2/2	–	–
A Okai (GCE)	8/8	5/5	4/4	5/5	5/5	3/3	2/2	1/1	3/3
G Muteiwa (GCFO)	8/8	5/5	4/4	–	–	3/3	2/2	1/1	–

APPOINTMENTS TO THE BOARD

Although no directors resigned or retired during 2021, the Group appointed one additional Independent Non-Executive Director to further strengthen the Board's existing skills base. Rose Mwaura was appointed to the Board on the 2nd December 2021. Subsequent to the year end, Runa Alam resigned from the Board, Stephen Price retired, and Andrew Okai's contract was terminated.

The Board has a formal and transparent policy regarding the appointment of Directors to the Board. While the appointments are a matter for the Board, the authority to oversee the nomination and to carry out the interview process have been delegated to the Group Governance and Nominations, Committee (GGNC). Apart from a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers a candidate's integrity, as well as other directorships and commitments to ensure that the candidate will have sufficient time to discharge his/her role properly.

The appointment of non-executive directors is formalised through a letter of appointment, and the Board makes full disclosure regarding individual directors to enable shareholders to make their own assessment of directors. All INED Board appointments are put to a shareholder vote at the next Annual General Meeting.

New appointees are appropriately familiarised with the Group's business through an induction programme. The composition of the Board is reviewed on a regular basis to ensure ongoing compliance with the requirements of King IV™.

Rotation and re-election of directors

In line with the Constitution, directors who have served for a term of three consecutive years or have been in the Board the longest are required to stand for re-election at the company's Annual General Meeting (AGM). As a result, Enos Banda, Philip Odera and Abiodun Odubola will stand for re-election at our 2022 AGM.

- The maximum term for NEDs is nine years. Two directors will therefore be retiring in the 2022 financial year.
- Retirement age for NEDs is 70.

Succession planning

Letshego Group promotes succession planning for all key positions. GRemCo reviews succession plans for key Group roles throughout the year and reports back to the Board at subsequent meetings. Board succession is the responsibility of GGNC. The Group also has a programme to identify and develop a pipeline of future leadership talent across its footprint.

Conflicts of interest

The Group Directors have a responsibility to avoid conflicts of interest with their duties to the Group, including situations that put or may be perceived to put, their personal interests in conflict with those of the Group. The Board Charter requires Directors to declare any actual or potential conflict of interest immediately when they become aware of such situations at subsequent meetings. Each Director is required to submit a 'Declaration of Interest' form, outlining other directorships and personal financial interests, including those of their related parties annually. Where actual or potential conflicts are declared, affected Directors are excluded from discussions and any decisions on the subject matter of the declared conflict.

Actual and potential conflicts of interest are considered in the Annual Declaration of Interest.

BOARD EVALUATION

Board evaluation was performed in 2021 in line with King IV requirements, which stipulate that the evaluation of the Board, its committees, and the individual Directors will be performed on alternate years. To promote objectivity, the 2021 appraisal was facilitated by the Institute of Directors in Southern Africa, an independent governance facilitator.

The Board evaluation and self-assessment processes are designed to review the effectiveness of the Board and members of various committees. The self-assessment exercise provides open and constructive two-way feedback to Board members that promotes acceptable levels of performance across various principal governance areas. A plan is put in place following the self-assessment to ensure that areas of improvement are addressed.

PERFORMANCE APPRAISAL OF EXECUTIVE LEADERSHIP AND MANAGEMENT

Executive Directors, senior leadership, and management are appraised relative to predetermined strategic objectives and the achievement of specific Group performance targets that the Board approves annually.

GOVERNANCE FOCUS AREAS 2021

With due consideration to Letshego's material matters and as a means of monitoring company culture, mindful focus was given to the following governance processes to ensure the achievement of the company's strategic objectives and realisation of its desired governance outcomes.

- Overseeing the **Transformational Strategy** to create long-term value
- Increased oversight on **cybersecurity** given the transformational strategy of Letshego
- Focusing on **workforce transformatio**n and new ways of working
- Promoting **enterprise resiliency** in the face of uncertainty
- Ensuring ongoing compliance with an enhancement of the Letshego Group Governance policy, including enhancing **governance and compliance** protocols implemented across the Group
- Promoting and **monitoring ESG** and responsible investment principles in how Letshego conducts its business
- Adopting a heightened approach towards **stakeholder inclusivity** and exercising an oversight role over the implementation of Letshego's Group **stakeholder management** policy

MONITORING AND RESPONDING TO THE COVID-19 CRISIS

The Board continues to respond to the unfolding COVID-19 pandemic by scheduling meetings to discuss strategies effective responses. Guidelines and processes were compiled to assist management teams with their day to day operations, with the emphasis on minimising health risks to our people while conducting their business responsibilities.

APPOINTMENT OF SENIOR MANAGEMENT

The Board approved the following new Senior Management appointments during the year under review:

Name	Role	Date of appointment
Russell Akuom	Head of Group Payments & Mobile	01/06/2021
Phaneni Silitshena	Head of Group New Ventures – Commercial	16/08/2021
Lucy Kiai	Head of Group Programmatic Lending	27/09/2021
Tuduetso Ntwaetsile	Head of Group Internal Audit	01/10/2021
Ato Okyir	Head of Group New Ventures	05/11/2021

In addition to the above, as at the date of this report, the Board appointed Mr Monyatsi as the Interim Group Chief Executive 4 May 2022 following the termination of Mr Okai's contract as Group Chief Executive.

The Board is satisfied that the Interim Group Chief Executive and recently appointed senior management are bringing the desired inputs to the Group's leadership. Evaluations of Board and executive performance are performed regularly.

CONSIDERING STAKEHOLDER FEEDBACK

The Group seeks to continuously improve its communications with stakeholders by disseminating relevant information through a variety of channels that invite feedback, dialogue and engagement. At each Board meeting, the Group Chief Executive updates the Board on feedback from all stakeholder groups, including investment analysts, institutional investors and regulatory authorities.

MANAGING MULTI-JURISDICTIONAL COMPLIANCE

During the year 2021 most of the jurisdiction and regulators enforced Anti-Money Laundering legislation and with some of our markets having AML regulatory reviews.

In addition, due to the impact of COVID-19 the enforcement and introduction of cybercrime legislation was realised in a few other countries. This was in most instances accompanied with Privacy and data protection legislation.

OUTLOOK: BOARD FOCUS AREAS FOR 2022

- Improve capacity, Employee Value Proposition (EVP) and Culture to support the Transformation Strategy
- Ensuring ongoing compliance with an enhancement of the Letshego Group Governance policy, including enhancing governance and compliance protocols implemented across the Group
- Ensuring compliance engagement concerning the Transformation Strategy
- Increased oversight on Risk Management given the Transformation Strategy
- Promoting and monitoring ESG and responsible investment principles in how Letshego conducts its business
- Adopting a heightened approach towards stakeholder inclusivity and exercising an oversight role over the implementation of Letshego's Group stakeholder management policy.

BOARD COMMITTEES

The Board established a number of permanent standing Board committees with specific responsibilities to assist the Board in discharging its duties and responsibilities. These committees comprise:

- Group Audit Committee (GAC)
- Group Risk, Social and Ethics Committee (GRSEC)
- Group Remuneration Committee (GRemCo)
- Group Strategy and Investment Committee (GSIC)
- Group Governance and Nominations Committee (GGNC)

The responsibilities of these committees are defined in terms of their respective charters as approved by the Board.

The ultimate responsibility resides at all times with the Board. The Board does not abdicate this responsibility to the committees and exercises its oversight responsibility accordingly.

There is full disclosure, transparency and reporting from the standing committees to the Board at each Board meeting, while the chairs of the committees attend the AGM and are available to respond to any shareholder questions.

During the financial year, all the Board committees conducted their annual self-assessments to evaluate their effectiveness and procedures. The committees' members confirmed that they were satisfied that they had fulfilled their responsibilities in accordance with each committee's terms of reference.

GROUP AUDIT COMMITTEE (GAC)

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Audit Committee (GAC)	▶ Safeguards assets and ensures the operation of adequate systems, control processes, and the preparation of accurate financial statements and reporting in compliance with all applicable legal requirements and accounting standards ▶ Ensures corporate accountability and the management of associated risks, combined assurance and integrated reporting ▶ Reviews Group Financial and Integrated Reports and recommends them to the Board for approval ▶ Recommends to the Board the appointment of external auditors and oversight of the external audit process and the results thereof ▶ Approves annual internal and external audit plans ▶ Monitors the ethical conduct of the Group ▶ Annually assesses the adequacy and skills of the internal audit, Group financial management and reporting functions.	**Independent Non-Executive Directors** S Price (Chairman) H Karuhanga P Odera A Odubola G Somolekae R Mwaura **Independent attendees** Engagement partner of EY **Management attendees** Group CE Group CFO **Permanent invitees** Group Chief Internal Auditor and other ExCo members	Minimum of three members and majority required for a quorum	Meets at least four times a year

2021 Highlights

- GAC approved for management to conduct a tax-landscape which summarised the respective tax compliance requirements and respective rules that apply to ensure ongoing compliance
- GAC approved the revised committee charter. Mostly the changes were re-ordering and drafting for consistency with the Constitution
- GAC satisfied itself on the collaboration between External and Internal Auditors.
- The Group Audit Committee, has satisfied itself regarding the Group Chief Financial Officer's technical capabilities, performance, work experience and overall competencies continually required to fulfill her role. The Group Chief Financial Officer, Gwen Muteiwa, is a qualified Chartered Accountant, with over 20 years experience in the financial services sector.

2021 Self-assessment

GAC undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:

- GAC members to participate in a continuing education programme to enhance their understanding of relevant regulatory, compliance and risk issues
- GAC to review its charter annually to determine whether its responsibilities are described adequately and recommends changes to the Board for approval
- New members participate in an orientation programme to educate them on the Group, their responsibilities, and the Group's financial reporting and accounting practices
- GAC, in conjunction with GGNC, creates a succession and rotation plan for Group Audit Committee members, including the Group Audit Committee Chairman.
- GAC understands management's fraud risk assessment and has an understanding of identified fraud risks
- GAC considers the Group's performance versus that of its peers in a manner that enhances comprehensive risk oversight by using reports provided directly by management. These may include benchmarking information comparing the Group's financial performance and ratios with industry competitors and peers, industry trends, analyst estimates, and budget analysis with explanations for areas where significant differences are apparent
- GAC provides feedback, in conjunction with GCEO, to the full Board concerning the competency and expertise based on the annual appraisal of the Finance Director.
- The agenda and related information (e.g. prior meeting minutes, press releases and financial statements) are circulated in advance of meetings to allow members sufficient time to study and understand the information
- Meetings are held with enough frequency to fulfil the Committee's duties, at least quarterly, and include periodic visits to Group locations with key members of management
- GAC to review the Group's significant accounting policies
- GAC understands and gives appropriate consideration to the internal control testing conducted by management, the Internal Auditors, and the External Auditors to assess the process for detecting internal control issues or fraud (combined assurance model). Any significant deficiencies or material weaknesses that are identified are addressed, reviewed, and monitored by the Committee
- Private executive sessions with management and the Internal and External Auditors that result in candid discussion of pertinent issues.

GROUP RISK, SOCIAL AND ETHICS COMMITTEE (GRSEC)

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Risk, Social and Ethics Committee (GRSEC)	▶ Formulate the risk profile and risk appetite across the Group, for approval by the Board ▶ Establish a risk management framework and review the process developed by management to identify principal risks, evaluate their potential impact, and implement appropriate systems ▶ Monitor different risks against an agreed risk appetite statement, including operational risks, strategic risks, compliance risks, including AML, CTF, and Sanctions, and financial risks ▶ Approve principles, policies, strategies and processes for the management of risk, including the establishment of other risk committees and the delegation of matters to those committees ▶ Approve the nature, role, responsibility and authority of the risk management function within the company, and outline the scope of risk management work ▶ Review and assess the integrity of the risk control systems and ensure that the risk policies and strategies are effectively managed ▶ Monitor and review external developments relating to the practice of corporate accountability and the reporting of specifically associated risks, including emerging and prospective impacts ▶ Oversight of and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships ▶ Responsible for the review of frameworks, policies and guidelines for safety, health, social investment, community development, environmental management and climate change ▶ Monitors activities with regards to customer relationships, including advertising, public relations, and compliance with consumer protection laws ▶ Assists the Board in building and sustaining an ethical corporate culture in the Group and that the Group's ethical standards are clearly articulated and integrated into the Group's strategies and operations.	**Independent Non-Executive Directors** A Odubola (Chairman) S Price R Hoekman R Mwaura **Non-Executive Directors** R Alam G van Heerde **Management attendees** Group CE Group CFO **Permanent invitee** Group Chief Risk Officer and other ExCo members	Minimum of three members and majority required for a quorum	Meets at least four times a year

2021 Highlights	2021 Self-assessment
▶ The committee approved Product policy, Digital Framework and policy and Data Framework and Policy ▶ GRSEC comprehensively considered deep dives on key business areas; credit risk, Cybersecurity Market Risk and liquidity risk ▶ GRSEC approved the revised committee charter. Mostly related to re-ordering and drafting for consistency with the Constitution ▶ GRSEC reviewed and approved enhanced Taxation policy and Treasury Limits.	The Committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas: ▶ Members participate in a continuing education programme to enhance their understanding of relevant regulatory, compliance and risk issues ▶ The Risk Committee reviews its charter annually to determine whether its responsibilities are described adequately and recommends changes to the Board for approval ▶ New members participate in an orientation programme to educate them on the Group and their responsibilities ▶ The Board maintains a succession and rotation plan for Group Risk, Social and Ethics Committee members, including the Risk Committee Chairman The Committee considers significant risks that may directly or indirectly affect the Group. Examples include: – Regulatory and legal requirements; – Concentration risk (e.g. suppliers and customers); – Market and competitive trends; – Financing and liquidity needs; – Financial exposures; – Business continuity – Group reputation; – Financial strategy execution; – Financial management's capabilities; – Fraud control; – Pressures, including tone at the top ▶ The Committee has input into succession for the GCRO ▶ The agenda and related information (e.g. prior meeting minutes and reports) are circulated in advance of meetings to allow members sufficient time to study and understand the information ▶ Written materials provided to members are relevant and concise providing information the committee needs to make decisions ▶ Regularly, the Committee meetings include separate private sessions with GCRO or equivalent ▶ The Group provides the Risk Function with sufficient budget to fulfil its objectives and engage external parties for matters requiring external expertise.

GROUP REMUNERATION COMMITTEE (GREMCO)

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Remuneration Committee (GRemCo)	▶ Reviews the remuneration policies of the Group ▶ Ensures that policies for selecting, planning for succession, and professional development of Executive Directors and senior management are appropriate ▶ Ensures that directors and staff are fairly rewarded ▶ Ensures that market-related reward strategies are adhered to ▶ Establishes performance targets for the Group's incentive scheme ▶ Responsible for mitigating human resources related risk ▶ GRemCo reviewed and approved enhanced policies and frameworks for managing its workforce, including reward policy, performance management framework and succession and localisation plans ▶ GRemCo reviewed and approved roll out of the talent management strategy which will ensure effective talent management, business continuity and sustainability.	**Independent Non-Executive Directors** G Somolekae (Chairperson) H Karuhanga A Odubola **Non-Executive Directors** R Alam C Lesetedi **Management attendees** Group CE Group Chief People & Culture	Minimum of three members and majority required for a quorum	Meets at least twice a year

2021 Highlights

- GRemCo approved the revised committee charter. Mostly the changes were re-ordering and drafting for consistency with the Constitution
- GRemCo reviewed the Group's approach to fair remuneration and the measures already implemented
- GRemCo approved the separation policy which provides guidelines that will facilitate separation with employees as a result of restructuring, the need to optimise Human Capital and/or inject new skills set.

2021 Self-assessment

The Committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:

- GRemCo has access to and uses independent surveys and consultants as a useful mechanism in facilitating the determination of all the essential components of remuneration and establishing remuneration credibility with shareholders
- The Committee reviews its charter annually to determine whether its responsibilities are described adequately and recommends changes to the Board for approval
- GRemCo's meetings allow sufficient time for the discussion of substantive matters
- GRemCo meeting agendas and related background information are circulated in a timely manner to enable full and proper consideration to be given to the important issues
- The committee chairperson reports to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

GROUP STRATEGY AND INVESTMENT COMMITTEE (GSIC)

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Strategy and Investment Committee (GSIC)	▶ Reviews and recommends to the Board regarding all new strategic investments and major funding initiatives the Group may enter into, including the mechanism for investment (e.g. start-up operations, mergers, acquisitions, joint ventures etc.), selecting between priority and non-priority investments ▶ Ensures divestment from existing investments if the investment objectives are not achieved ▶ Decides on appropriate funding mechanisms in the context of the overall funding strategy of the Group ▶ Participates in the negotiations with potential investors/funders, acquisition/merger candidates, etc.), when appropriate ▶ Formulates and recommends to the Board the overall investment policies and guidelines of the Group ▶ Provide input to management in the development of the Group's strategy and shall make to provide recommendations to the Board for its approval ▶ Assess plans for significant restructuring and adjustments to the Group and make recommendations as necessary for approval by Board ▶ Monitor and review the annual business plan, budget and capital structure of the Group and recommend changes thereto as necessary.	**Independent Non-Executive Directors** H Karuhanga (Chairman) S Price P Odera R Hoekman R Mwaura **Non-Executive Directors** G van Heerde **Management attendees** Group CE Group COO Group Chief Product Officer	Minimum of three members and majority required for a quorum	Meets at least once a year

2021 Highlights

- GSIC approved the revised committee charter. Mostly the changes were re-ordering and drafting for consistency with the Constitution
- GSIC reviewed the strategy and all investments
- GSIC considered the Capital Optimisation report from McKinsey.

2021 Self-assessment

The committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:

- Members participate in a continuing education programme to enhance their understanding of relevant financial, investment, reporting, regulatory, and industry issues
- The Committee reviews its charter annually to determine whether its responsibilities are described adequately and recommends changes to the Board for approval
- The agenda and related information (e.g. prior meeting minutes, press releases and financial statements) are circulated in advance of meetings to allow members sufficient time to study and understand the information.

GROUP GOVERNANCE AND NOMINATIONS COMMITTEE

Board Sub-committee	Purpose	Composition	Quorum	Frequency of meeting
Group Governance and Nominations Committee	▶ Recommends to the Board on all new Board appointments and directors who are retiring by rotation, for re-election ▶ Responsible for the principles of governance, social ethics and codes of best practice ▶ Responsible for inducting incoming directors ▶ Responsible for facilitating the performance evaluation of the Board and its committees ▶ Responsible for development of directors on matters relevant to the business of the Group regarding risks, applicable laws, accounting standards and policies, and the environment in which the Group is operating ▶ Conducts annual directors' independence assessment.	**Independent Non-Executive Directors** E Banda (Chairman) G Somolekae P Odera R Hoekman **Non-Executive Directors** C Lesetedi **Management attendee** Group CE	Minimum of three members and majority required for a quorum	Meets at least once a year

2021 Highlights

- GGNC approved the revised committee charter. Mostly the changes were re-ordering and drafting for consistency with the Constitution
- GGNC approved the automation of governance processes; declaration of interest and Board assessments.
- Recruited one new Independent Non-Executive Directors to the Group Board.

2021 Self-assessment

The committee undertook a self-assessment exercise in 2021 and issues have been raised in the following areas:

- There is succession planning for the key positions of Chairman of the Board, Committees and Group CEO
- GGNC oversees the Board and its Committees' self-assessments and reports to the Board performance assessments results and proposed action plans
- GGNC oversees the performance evaluations of individual Board members and reports to the Board the performance results and makes recommendations for Board action
- Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitments, committee service and involvement outside Board meetings.

EXECUTIVE COMMITTEES

In addition to the Board and its sub-committees, Letshego Group and country strategies are discharged through the Group Executive Committee and its management sub-committees as laid out below. These committees comprise:

Group Executive Committee (Exco)	**Group Management Risk Committee (GMRC)**	**Group Balance Sheet Committee (GBSC)**	**Group Technology and Operations Committee (GTOC)**
Group Tax Committee (GTC)	**Group Digital Transformation Committee (GDTC)**	**Country Management Committee (CMC)**	**Group Management Credit Portfolio Review Committee**

During 2021 we reviewed the management committees and made several management changes. As a result, not all of the management committees achieved the normal frequency of meetings.

GROUP EXECUTIVE COMMITTEE (EXCO)

Purpose	Composition	Quorum	Frequency of meeting
▶ Ensures delivery of the Group, country and business strategies against the Group's collective agenda and budget, and reports on such progress to the Board as well as escalating any significant risks or issues on a timely basis ▶ Monitors external developments in the Group's country footprint and emerging internal risk issues, to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group and mitigate potential financial losses ▶ Promotes a culture that focuses on a unique customer experience, innovation, anticipatory risk, appropriate people commitment, and stakeholder engagement, underpinned by exemplary governance and effective cost control ▶ Provides unified leadership on key transformation, brand, and other business initiatives by determining and agreeing the response to cross geography and business challenges.	Group CE (Chairperson) **Exco members** **Permanent invitee:** Group Chief Internal Auditor	Majority of Exco members	Monthly

GROUP MANAGEMENT RISK COMMITTEE (GMRC)

Purpose	Composition	Quorum	Frequency of meeting
▶ Promotes a culture of risk management discipline, anticipation, and compliance across the Group's footprint ▶ Reviews and recommends to Exco models and approaches to determine risk appetite at Group and country levels as a basis for obtaining Exco, GRC and GAC approvals, and to monitor compliance with the same ▶ Proactively manages all primary risks faced by the Group that include l Capital, Credit, Operational, Compliance, People, Product, Data, Digital and ALM/Treasury risks, and takes action to mitigate those risks ▶ Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence ▶ Ensures the adequacy and effectiveness of frameworks, policies, standards/guidelines, procedures and tools in all countries for the identification, assessment, monitoring, controlling and reporting of risks with reference to the Group's Enterprise Risk Management framework, and ensures that they conform to the minimum requirements laid down by the Group and external regulators.	Group CE (Chairperson) **Selected Exco members** **By invitation** Risk Owners and other specialists **Permanent invitee** Group Chief Internal Auditor	Majority of GRMC members	Quarterly

GROUP BALANCE SHEET MANAGEMENT COMMITTEE (GBSMC)

Purpose	Composition	Quorum	Frequency of meeting
▶ Ensures that the Group's and subsidiaries' balance sheet management is optimised (liquidity and capital risks) ▶ Defines liquidity and other ALM limits, and ensure compliance with all internal and regulatory guidelines ▶ Approves foreign currency risk mitigation and planning initiatives.	Group Chief Financial Officer (Chairperson) **Selected Exco members** **Permanent invitee** Group Chief Internal Auditor	Majority of GBSMC members	Monthly

GROUP TECHNOLOGY AND OPERATIONS COMMITTEE (GTOC)

Purpose	Composition	Quorum	Frequency of meeting
▶ Ensures delivery of technology platform release updates, fixes and change requests ▶ Ensures delivery of operational patches and process enhancements (automation) without Business As Usual (BAU) disruption ▶ Ensures delivery of technical and Operational projects on a timely basis, manages resourcing, mitigates risks, and prioritises in line with strategic business projects.	Group Chief Operating Officer (Chairperson) **Selected Exco members**	Majority of GTOC members	Monthly

GROUP TAX COMMITTEE (GTC)

Purpose	Composition	Quorum	Frequency of meeting
▶ Assists the Group Audit Committee in managing and overseeing the tax governance structures within the Group in order to achieve the tax strategy outlined in the Group Finance Risk Management framework. This includes: – Builds a tax-conscious culture and awareness across the Group – Promoting an ethos of tax compliance – Early identification, proactive in-country and Group communication and minimisation of tax risks – Tax excellence: aspiring to be a standard setter across the Group's markets and driving an optimised position by being a trusted advisor and enabler to the business ▶ Manages tax controversy and engages proactively with stakeholders, especially local authorities ▶ Manages policy and governance-related tasks for the Tax Risk Management process and provides oversight on the implementation of relevant policies within the Group ▶ Oversees activities relating to any significant tax risks existing in the current operations and other initiatives likely to have an impact on Group's operations spanning more than one country or business unit.	Group CFO (Chairperson) **Selected Exco members**	Majority of GTC members	Quarterly

GROUP DIGITAL TRANSFORMATION COMMITTEE (GDTC)

Purpose	Composition	Quorum	Frequency of meeting
▶ Prioritise the Group's Strategic Agenda by providing robust and agile decision making to streamline and fast track innovative, digital solutions ▶ The Committee provides guidance on partnership opportunities providing ecosystems, access, and technology within funding mandates, approve initiatives to take to the next stage of implementation ▶ To approve Innovation initiatives and projects from concept to Implementation ▶ To review and provide guidance and prioritisation on all pipeline initiatives ▶ To serve as the Group's oversight committee of global trends and development ▶ Approve funding requests for initiatives and projects.	Group Chief Executive (Chairperson) Group Chief Operations Officer Group Chief Product Officer Head of Group Innovation Group Chief Financial Officer (alternate Chair) Group Chief Risk Officer Head of Group Transformation	Four committee members, including the Chairman or his alternate	Bi-monthly

COUNTRY MANAGEMENT COMMITTEE (CMC)

Purpose	Composition	Quorum	Frequency of meeting
▶ Delivers on the country business strategy against its collective agenda and budget, and reports on such progress to Group Exco. It also escalates any significant risks or issues on a timely basis ▶ Monitors external developments in the country's operations and any internal risk issues arising. The objective is to ensure that appropriate actions are taken to protect the reputation and franchise of Letshego Group and to mitigate potential financial losses ▶ Promotes a culture focused on a unique customer experience, innovation, anticipatory risk, people development, and stakeholder engagement, underpinned by exemplary governance and effective cost control ▶ Provides unified leadership on key strategic and other business initiatives in the country ▶ Promotes and implements an effective risk management framework that covers risk appetite, management discipline, anticipation and compliance across the country, and escalating and significant issues Regional Heads and Head of Risk and Assurance as appropriate ▶ Ensures that the country business is operating according to the highest standards of regulatory compliance and best practice, as defined by external regulations and internal policies and procedures respectively, including banking and labour laws as well as anti-money laundering legislation (AML) and Know Your Customer (KYC) and any other regulatory requirements ▶ Approves and recommends to Group Exco all new products and service offerings.	Chief Executive Officer Country management team members	Majority of members	Monthly

GROUP MANAGEMENT CREDIT PORTFOLIO REVIEW COMMITTEE (GMCPRC)

Purpose	Composition	Quorum	Frequency of meeting
▶ To provide credit risk oversight, challenge and improve decision making in the credit risk management processes ▶ To ensure that underwriting processes are in line with Group credit risk framework, policies and standards. ▶ The committee discusses and agrees on key credit risk decisions and strategies to improve portfolio quality ▶ To Report on and ensure that there is adequate staffing to effectively mitigate for risk in line with the collections and recoveries capacity-planning program among other tools ▶ To report on and ensure that collections and recoveries processes are in line with prescribed Group standards and performing per set targets and budgets ▶ To escalate all material variations from run rate and budget to Country and Group management ▶ To raise and escalate all exceptions to credit operations standards to appropriate business sections, track and ensure closure. ▶ To monitor and ensure that businesses operate within the set mandates and scale across all governance structures, e.g. loan limits and other operating limitations imposed ▶ To record and action all business decisions taken and ensure all appropriate governance is in place in accordance with Group policies ▶ To oversee and execute all agreed deep dives and portfolio investigations resultant from committee seatings ▶ To ensure that country has localised ToRs for the Portfolio Review Committee.	Chief Risk Officer (Chairperson) **Selected Exco members** Head of Group Credit Risk Group Credit Operations Manager Group Head of Shared Services Country Chief Risk Officers Country Heads of Business Country Heads of Risk and Credit Country Collections and recoveries managers **By invitation:** Country CEOs Other specialists and senior management may be invited by the Chairperson to attend where appropriate	Quorum of four (4), including the Chairperson or their alternate (Country risk and business must be represented including the chairperson or their alternate)	Monthly

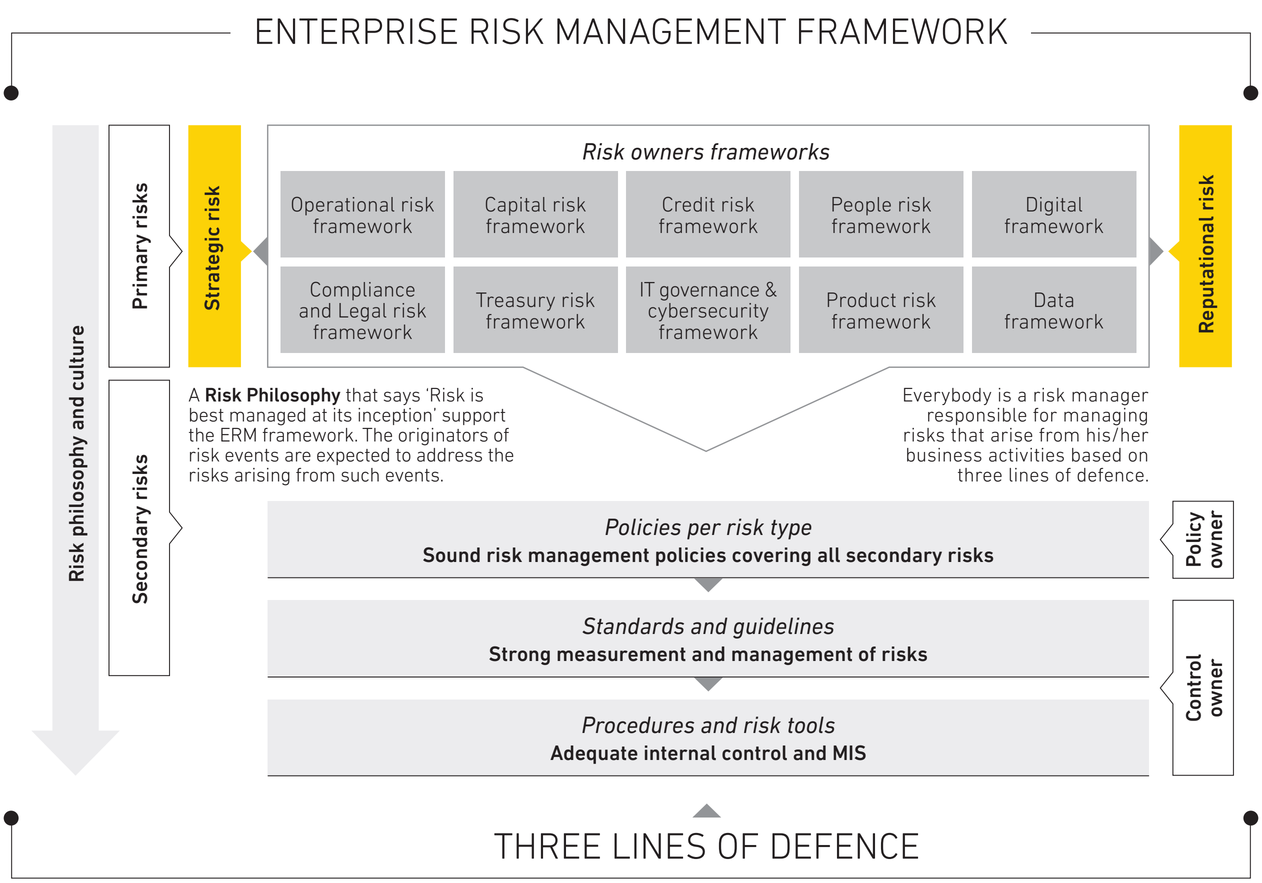
Assurance and effective control

RISK GOVERNANCE

We have an extensive, multi-layered structure to manage risk. The Board is ultimately responsible for risk management. This includes ensuring that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The Board approves the risk strategy, the Group Enterprise Risk Management Framework (ERMF), risk appetite and primary policies supporting the ERMF. The Board oversees the implementation of the Group strategy, embedment of the ERMF and strategic delivery against the approved risk appetite.

The Board, with support from the Group Risk, Social and Ethics Committee (GRSEC) ensures that the Group ERMF is implemented effectively. The GRSEC is responsible for the development and implementation of the Enterprise Risk Management Framework (ERMF) including the policies, systems, processes, and training needed to ensure effective risk governance.

The Group introduced combined risk assurance during the year. The Combined Risk Assurance Forum is a working group across the three lines of defence that meets weekly to discuss continuing and emerging risks, review and challenge control testing outcomes and escalate material risks to Group Management Risk Committee.



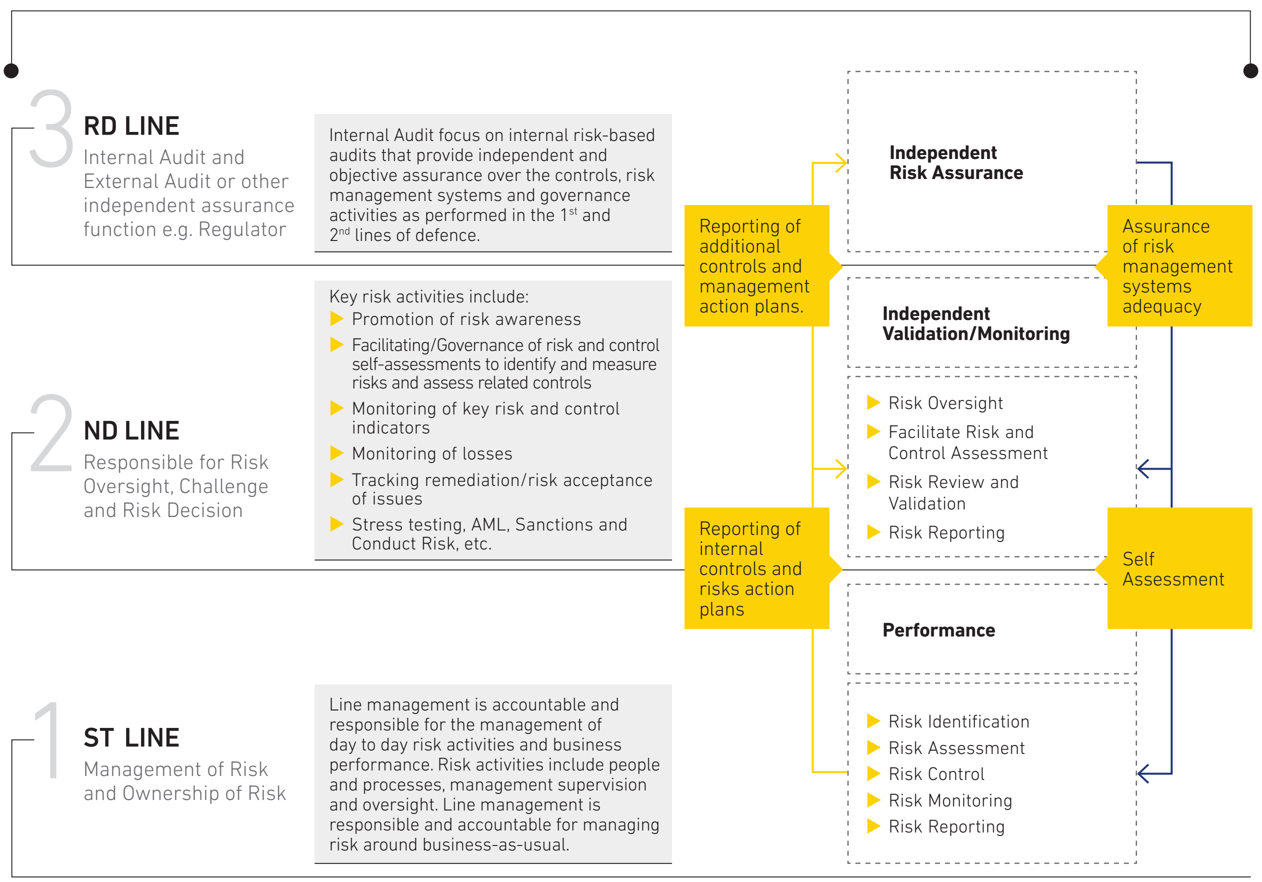
The Group's risk management philosophy and the three lines of defence underpin the effectiveness of the ERMF.

Our enterprise risk management framework provides the governance structure and approach for our risk management discipline and guides us to ingrain a sound risk culture. It defines our risk management universe, structure, policies and processes. No material changes were made to the framework this year and the focus remained on the maturity of implementation.

Through the framework we want to create higher levels of certainty and visibility about potential risks and provide clarity on how the risks are mitigated. This requires an integrated approach in all business areas to enable an effective risk management process from identification through to mitigation.

THREE LINES OF DEFENCE

Risk Management is structured along the Three Lines of Defence as illustrated in the table below:



The three levels of risk management signify a clear division of responsibilities between the risk owners (line management), the control functions (Risk and Compliance Management) and the Internal Audit function for safeguarding the Group's assets and reputation against potential operational risks arising from day-to-day business activities. The three lines of defence aid the Group to address all identified risks, design and implement the control activities, and to ensure that risks are taken in accordance with an approved risk appetite.

The Group has also introduced combined assurance, which is a collaborative approach between second and third lines of defence and risk owners to offer more coverage and depth.

RISK POLICIES AND PRACTICES

Risks are divided into Level 1 (regulatory, governance, legal requirements) and Level 2 (operational and/or risk requirements, with the Board deciding on Level 1 policies and the Group Executive Committee (GExCo) taking responsibility for Level 2 policies.

Each primary risk (major risk category) is supported by a risk owner framework or sub-framework that include both qualitative and quantitative risk appetite and tolerance levels. These cascade down through policies, standards and procedures to create a fresh and prioritised risk culture throughout Letshego. Country CEOs and their Country Management Committees (CMC) are responsible for applying standards and procedures in their individual countries.

All policies and practices across the Group are in line with agile methodology. This approach ensures that risk management can pivot and adapt based on risk evolution as we execute our strategy.

2021 FOCUS AREAS

During 2021 we improved credit risk management and credit processes. This included enhanced risk monitoring, frequent stress testing and the progressive digitisation of reporting and data tracking systems. With the automation of Letshego's credit evaluation process, credit risk is more closely aligned with the Group's target risk appetite and credit performance indicators.

A data regulatory baseline was conducted across all our markets to ensure that our data strategy is aligned to local regulations and enforced by our ERMF.

The COVID-19 pandemic remained a key risk. Management actions taken around business resilience and health and safety internal procedures had proven successful.

LOOKING AHEAD

Board approved the transformation strategy for 2022 through to 2025. Priority areas for 2022 are:

- Implementation of the approved Group and subsidiary risk organisation design.
- Automation and digitisation of core risk and compliance processes.
- Acquisition and deployment of enterprise risk system.
- Full automation of credit decision processes via scorecards.

To enhance risk management at the first level of defence, a Compliance Curriculum was launched in February 2022 for all staff covering:

- Data Privacy
- AML
- Sanctions
- Conduct Risk

AUDIT REVIEW

Group Internal Audit (GIA) provides independent and objective assurance to the Group Audit Committee and management in accordance with the internal audit standards set by the Institute of Internal Auditors (IIA) and in line with GIA's audit methodology. .

The Group's external and internal auditors have unlimited access to the Audit Committee and report to the Committee at its quarterly meeting as well as discussing any identified areas of possible audit risk exposure. Where the Committee identifies any cause for concern, or scope for improvement, it makes recommendations to the Board and recommends remedial actions.

INTERNAL AUDIT

The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. It assists the Board, Board committees and executive management to accomplish its objectives by bringing a systematic, disciplined and consistent approach to evaluate and improve the effectiveness of governance, risk management and the internal control environment.

The Internal Audit function reports administratively to the Group Chief Executive Officer and functionally to the Board via the Audit Committee. The Audit Committee ensures that there is an open line of communication between the Group Chief Internal Auditor, the External auditors and the Board.

Internal Audit follows a risk-based methodology to develop the annual audit plan, which is reviewed and approved by the Audit Committee. Internal audit, under the leadership of the Group Chief Internal Auditor, Nkosana Ndlovu, provides regular reports to the Audit Committee summarising audit results, progress against delivery of the audit plan and progress in closing both Internal, External Audit and Regulatory findings.

2021 FOCUS AREAS

A risk assessment was undertaken at the start of the financial year to inform the audit plan, which was approved by each country Board. The consolidated plan was then approved by the Group Audit Committee.

The key audit focus areas for 2021 included:

- Credit risk (modelling and operational credit risk for DAS and MSE products)
- Technology security controls (access management, automated controls and cybersecurity)
- Technology application controls (Revenue Assurance) Financial reporting and taxation.

During 2021 the audit team commenced implementation of Audit Agility using pilot audits. An agile internal audit approach allows the team to pivot when necessary to accommodate any emerging risk. In pursuing the agile journey Internal Audit seeks to have an evolving plan responding to emerging risks, be more transparent and communicate frequently and timely. The Agile journey continues into 2022 with the aim to achieve full transformation at the end of the year.

LOOKING AHEAD

The Internal Audit department's goals and objectives for the year ahead are to fully utilise Agile methodology to enhance and streamline audit processes, entrench audit data analytics and spur digital audit revolution. Other key focus areas include implementation of robotics process automation audit tool for continuous auditing and focus on providing assurance on key risks resulting from digitalisation.

EXTERNAL AUDITOR

Ernst and Young (EY) have independently audited the 2021 annual financial statements contained in this report. Its unmodified audit opinion appears on pages •• to •• of the AFS.

With a view to ensuring the overall adequacy of the Group's internal control framework, the Audit Committee evaluates the independence and effectiveness of the external auditor on an ongoing basis before making a recommendation to the Board on its appointment and/or retention. The appointment of the external auditor is approved by shareholders at the Annual Meeting of Shareholders.

During 2021, the Audit Committee met regularly and independently with the external auditor.

Combined Assurance

To ensure we have adequate assurance across the Group, and to prevent gaps or duplication in assurance efforts, we have adopted a combined assurance approach. The objective is to assure the Risk, Social and Ethics Committee (GRSEC) and, in turn, the Board, that significant areas of risk within our Group are adequately addressed, and that suitable controls exist to mitigate these risks.

To facilitate this, we employ an integrated planning and reporting process. This is achieved by aligning the activities of the separate assurance functions across the Group.

TECHNOLOGY AND INFORMATION GOVERNANCE

The Board is responsible for technology and information governance (IT), which is governed by an IT Charter. The Group Technology and Operations Committee (GTOC) is responsible for directing, controlling and measuring the IT activities and processes of the Group. It also keeps the Board updated on the Group's technology and information performance. Each operation has formal business continuity and disaster management plans in place, which are the responsibility of the respective country managers.

The Group continues to enhance its information technology governance framework as the Group's operations and sustainability are critically dependent on IT. Specifically, IT supports the Group's innovation and technological competitive advantage, the management of IT related risks, and increased requirements for control over information security.

The IT framework addresses the following, in line with best practice:

- The IT activities and functions of the organisation are aligned, to enable and support the priorities of the Group
- IT delivers the envisioned benefits against strategy, costs are optimised, relevant best practices are incorporated
- Value created for the Group by its IT investment is maximised
- The optimal investment is made in IT and critical IT resources are responsibly, effectively, and efficiently managed and employed
- Compliance requirements are understood and there is an awareness of risk, allowing the organisation's risk appetite to be managed
- Performance is optimally tracked and measured, and the envisioned benefits are realised, including implementation of strategic initiatives, resource use and the delivery of IT services
- Synergies between IT initiatives are enabled and, where applicable, IT choices are made in the best interest of the Group as a whole.

2021 FOCUS AREAS

During 2021 the GTOC focused on facilitating the Group's digitisation strategy. Key plan 6 deliverables include:

- conceptualising the digital mall and building that capability;
- enhancing legacy environments (such as USSD platforms) to sustain lending and traditional banking payments;
- updating back-end processes to eliminate manual and time-consuming activities; and
- introducing automation to make processes more efficient and eliminate human error.

Other priorities during the year included:

- migrating our core hosting capabilities and our core systems to the cloud;
- strengthening in-country compliance in line with new laws with respect to data privacy; and
- attracting, retaining and developing key digital skills and capabilities.

LOOKING AHEAD

Our main priorities for the year ahead are:

- aligning business demands with technological capabilities;
- automating and digitising processes;
- enhancing data centre capacity and stability
- managing global supply chain challenges with regard to the delivery of technological infrastructure.

TAX GOVERNANCE

CURRENT TAX ENVIRONMENT

Letshego Holdings Limited (LHL) is an accredited international finance services company (IFSC) in terms of Botswana's IFSC regime. IFSCs enjoy a preferential tax rate of 15% on taxable income arising from approved financial services as per the Botswana Income Tax (Amendment) Act of 2018. LHL's gross income consists of amounts accrued or deemed to have been accrued from all sources, both inside and outside Botswana. LHL operates in 11 jurisdictions across Africa through subsidiaries and provides management support services to all its subsidiaries across Africa. Service Level Agreements (SLA) are in place between LHL and its subsidiaries, for the recharge of management and service fees. There has been an increased scrutiny by Revenue authorities, in the countries where we operate, on Transfer Pricing of intra Group (related party) transactions. Since the inception of the OECD Base Erosion and Profit Shifting (BEPS) project, Letshego has continuously updated its pricing methods and applicable mark ups ensuring that profits are reported where value is created. The holding company files its Transfer Pricing files with the Botswana Unified Revenue Services (BURS) annually.

EFFECTIVE TAX RATE (ETR)

ETR Analysis

Our ETR was 36% down from the restated position for 2020 of 39%. We continue with implementation of tax planning initiatives.

These tax planning opportunities are expected to generate enough taxable income to absorb a greater portion of our accumulated tax losses and unclaimable withholding tax credits, thereby further reducing the ETR to optimal levels.

LHL'S APPROACH TO TAX

Tax Governance

The Group Tax Committee (GTC) is responsible for the tax risk management (TRM) policy and tax governance within Letshego. The GTC therefore reports directly to the Group Audit Committee in discharging its responsibilities, as defined by the TRM policy and the committee governance framework. The committee meetings are held each quarter.

Our approach to tax is underpinned by the following principles:

- Letshego is committed to complying with tax laws in a responsible manner and to having open and constructive relationships with tax authorities
- We seek to build and maintain constructive and mutually respectful relationships with governments and fiscal authorities
- We do not use artificial or abnormal tax structures intended for tax avoidance, nor those that have no commercial substance, nor those that do not meet the spirit of local or international law.

The Letshego Group aims to create and manage shareholder value by undertaking legitimate and responsible tax planning within the tax laws and regulations of the countries in which the Group operates.

Remuneration

Key strategic objective of the Group is to remunerate Board Members and Group employees adequately, fairly, and within industry norms. The Board remuneration for the 2020 financial year is set out below:

- Board Chairman P29 000 per meeting
- Directors P27 285 per meeting
- Committees P15 000 per meeting attended or P10 000 if ad hoc meeting
- Annual retainer – Chairman P917 031
- Annual retainer – Directors P360 000

	Board Meeting	Independent Board meeting	Ad-hoc meetings	Board Retainer	GAC	GRSEC	GRemCo	GGNC	GSIC	Total
E Banda**	261 000	116 000	29 000	917 031	–	–	–	70 000	–	**1 393 031**
S Price***	245 565	124 140	27 285	360 000	75 000	60 000	–	–	45 000	**936 990**
G Somolekae**	245 565	109 140	27 285	360 000	75 000	–	70 000	70 000	–	**956 990**
H Karuhanga**	245 565	109 140	27 285	360 000	75 000	–	70 000	–	45 000	**931 990**
P Odera**	245 565	124 140	27 285	360 000	75 000	–	–	70 000	45 000	**946 990**
R Hoekman**	245 565	109 140	27 285	360 000	–	60 000	–	70 000	45 000	**916 990**
A Odubola **	245 565	109 140	27 285	360 000	75 000	60 000	70 000	–	–	**946 990**
R Alam*	245 565	–	27 285	360 000	–	60 000	70 000	–	–	**762 850**
G van Heerde*	245 565	–	–	360 000	–	60 000	–-	–	45 000	**710 565**
C Lesetedi*	190 995	–	–	360 000	–	–	55 000	55 000	–	**660 995**
Rose Mwaura	27 285	69 570	–	–	15 000	15 000	–	–	15 000	**141 855**
Total	**2 443 800**	**870 410**	**219 995**	**4 157 031**	**390 000**	**315 000**	**335 000**	**335 000**	**240 000**	**9 306 236**

* *Fees are paid to the organisation they represent*
** *Back pay for Independent Board from 2019-2020-P363 565*
*** *Other ad-hoc fees include P29,000/P27,285 for attendance of Board Training*

OVERVIEW OF NON-EXECUTIVE DIRECTOR REMUNERATION POLICY:

The Group's Remuneration Committee is responsible for recommending Non-Executive Director (NED) remuneration.

- NED fees are fixed for a period of two years post adjustment
- Directors of the Group's Board and subsidiaries are remunerated with an annual retainer and sitting fees for meetings attended
- NEDs do not receive any additional fees relating to the performance of the Group and do not participate in any share-based payments or incentives
- The current structure was approved by shareholders at the Annual General Meeting held on 30 June 2020. No other changes were made to the remuneration of Non-Executive Directors in 2021 and no changes are being made or proposed for 2022.

NED REMUNERATION REVIEW AND BENCHMARKING

In line with Letshego's commitment to compensate Board members and employees on a fair and transparent basis, and in line with market related trends, the Group Remuneration Committee conducts a benchmarking review of the Group's NED Remuneration strategy every two-year period. The latest benchmarking review was conducted by external consultants, PWC, in the fourth quarter of 2020. This exercise compared Letshego's NED fees to a peer entities and organisations who boast similar footprints and commercial strategies, comprising a list of both African and international organisations.

Based on final benchmarking reports concluded by PWC, the Group Board is satisfied that the current level of remuneration for NEDs is within industry and sector trends.

The next benchmarking review for NED compensation will be conducted in 2022.

EXECUTIVE DIRECTORS' REMUNERATION AS AT 31 DECEMBER 2021

Executive Directors' incentive bonuses are evaluated and recommended by the GRemCo for the approval of the Board. All amounts disclosed below are in Botswana Pula.

Executive directors	Period served as director	For management services	Performance bonus*	Total
Andrew Okai	01/02/2020 – 31/12/2021	4 833 109	5 250 000	**10 083 109**
Tinotenda Gwendoline Muteiwa	24/03/2020 – 31/12/2021	3 145 043	1 410 734	**4 555 777**

* *Performance bonuses were awarded in March 2022. The directors' remuneration note 24 of the signed financial statements does not includ bonuses as these were awarded after the signing of the financial statements. At the time of signing the financial statements, the bonus would still be included in staff incentive accrual.*

In 2021, in terms of the Long Term Incentive Scheme, no ordinary shares vested to Executive Directors that related to 31 December 2021 financial year end. The Group CEO was granted Deferred Bonus in 2021, a third of which vested and was paid as BWP 4 936 874.

EXECUTIVE DIRECTORS' REMUNERATION AS AT 31 DECEMBER 2020

Executive directors	Period served as director	For management services	Performance bonus****	Net settlement	Total
Andrew Okai*	01/02/2020 – 31/12/2020	4 529 969	4 375 000	–	**8 904 969**
Dumisani Ndebele**	27/03/2019 – 30/01/2020	364 655	–	325 833	**690 488**
Tinotenda Gwendoline Muteiwa***	24/03/2020 – 01/12/2020	2 349 339	783 741	1 700 000	**4 833 080**

* *Andrew Okai was appointed Group Chief Executive and Executive Director on the Board of Letshego Holdings Limited on 1 February 2020.*

** *Dumisani Ndebele re-joined Letshego Holdings Ltd on 7 January 2019 as the Group Company Secretary. He was subsequently appointed Acting Group Chief Executive for Letshego Group Holdings Ltd on 27 March 2019. The prorata net settlement relates to Dumisani Ndebele's terminal benefits due as at 30 January 2020 on resignation from the Group Board.*

*** *Tinotenda G Muteiwa was appointed Group Chief Financial Officer for Letshego Holdings Ltd on 1 March 2020 with subsequent appointment to the Group Board as Executive Director on 24 March 2020.*

**** *Performance bonuses were awarded in April 2021. The directors' remuneration note 24 of the signed financial statements does not include bonuses as these were awarded after the signing of the financial statements. At the time of signing the financial statements, the bonus would still be included in staff incentive accrual.*

In 2020, in terms of the Long Term Incentive Scheme, no ordinary shares vested to Executive Directors that related to 31 December 2020 financial year end.

TOP THREE EARNERS WHO ARE NOT EXECUTIVE DIRECTORS AS AT 31 DECEMBER 2021

	For management services	Performance bonus/ sign-on bonus	Total
Employee 1	3 221 891	1 815 597	**5 037 488**
Employee 2	3 305 256	1 599 319	**4 904 575**
Employee 3	2 401 967	1 253 129	**3 655 096**

2021: In terms of Long Term Incentive Scheme 1 244 046 ordinary shares vested to the top three earners that related to the 31 December 2021 financial year.

TOP THREE EARNERS WHO ARE NOT EXECUTIVE DIRECTORS AS AT 31 DECEMBER 2020

	For management services	Performance bonus/ sign-on bonus	Total
Employee 1	2 696 962	2 648 744	**5 345 706**
Employee 2	3 054 220	1 055 992	**4 110 212**
Employee 3	2 790 004	609 458	**3 399 462**

2020: In terms of Long Term Incentive Scheme 1 816 930 ordinary shares vested to the top three earners that related to the 31 December 2020 financial year.

EMPLOYEE REMUNERATION POLICY

EMPLOYEE REMUNERATION: THE LETSHEGO EXPERIENCE

In this overview, Letshego unpacks its Employee Remuneration Policy, the components thereof, and how this policy serves to drive employee engagement and productivity, leveraging the Group's #peoplefirst initiatives.

Our reward philosophy and principles guide the design and operation of our reward programs that support our business strategy while reinforcing our values. Through our reward practices, our employees are motivated to focus on business and personal objectives, deliver and sustain outstanding performance, and act in line with Letshego's values.

Letshego has a competitive set of reward components and uses a 'Total Reward' approach encompassing all components of reward tools. Total Reward takes into account the totality of the relationship between Letshego and its individual employees. This policy recognises that, while the financial dimension is vital, the relationship has other elements that also contribute to creating a fulfilling, multi-faceted employee experience.

LETSHEGO TOTAL REWARD MODEL

The Letshego Experience

- Our People First Culture
- Wellness
- Living our 3C's (Commitment, Collaboration and Confidence)
- Staff Engagement
- Skills and Leadership Development
- Career Management.

Benefits

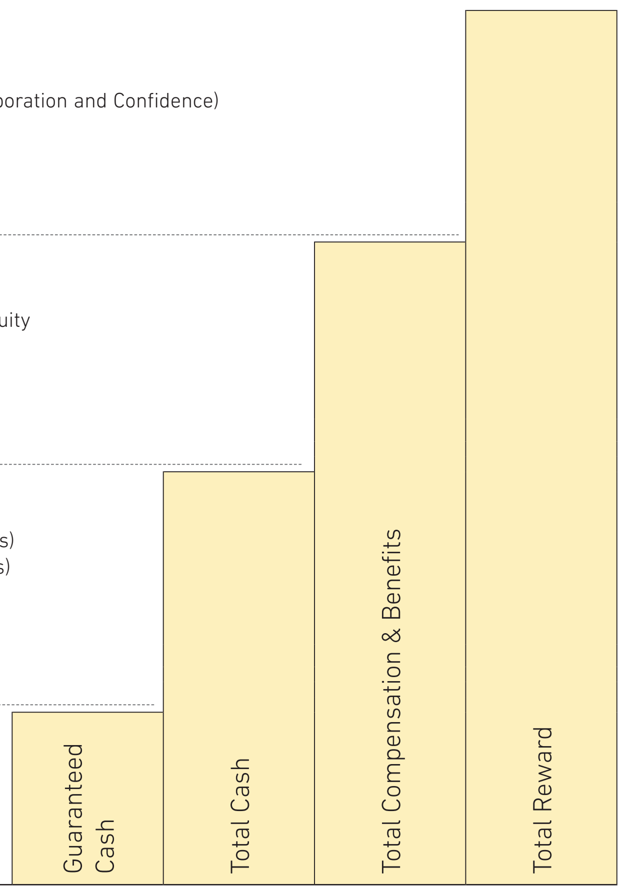
- Medical Aid Insurances (Group Life)
- Retirement Benefits – Pension/Gratuity
- Paid and Unpaid leave
- Staff Uniform.

Incentives

- Long Term Incentive Schemes (LTIPs)
- Short Term Incentive Schemes (STIs)
  - Bonuses
  - Sales and Collections Incentives.

Base

- Base Salary



REWARD COMPONENTS DESCRIPTION

Reward component	Characteristic
Salary	Paid for skills and experience brought to a role and is linked to market rates
Benefits	Non-financial reward elements designed to assist and support the employee: medical cover, pension contributions, Group life, paid and unpaid leave
Performance Bonus	Paid for achievement of predetermined performance targets by the Group and Individual
Deferred Bonus	▶ Aligns the Group Senior and Country Management team with the overall Group objectives and strategy and is an incentive to drive performance and also acts as a retention tool for key employees ▶ Paid upon achievement of Group and personal targets as a motivation and retention tool. This aligns Senior Management's objectives with those of the Group and is linked to movements in the share price ▶ Vests in two tranches, 50% after two years and the remaining 50% after three years.
Long Term Incentive Plan Scheme	▶ Ensures competitiveness in the market to attract top talent into the organisation. Incentivises senior executives to drive the successful execution and delivery of the Group's strategy through higher performance, and measured in sustainable shareholder value creation ▶ Awards are conditional to achievement of targets set on ROE and EPS. Vesting of awards is in one tranche at the end of three years.
The Letshego Experience	The employee experience is the journey that an employee takes with Letshego throughout the employee lifecycle. It serves to demonstrate our #peoplefirst culture, by using initiatives to celebrate the value of our people across our organisation. Our #peoplefirst culture recognises that our people are our competitive advantage, and are integral to delivering our strategy and vision to be a world class financial services organisation. The employee wellness program seeks to support an employees 'individual ecosystem' – supporting the multiple dimensions that contribute to social, mental and physical wellness. In 2020, Letshego's support centred around COVID, assisting employees with direct access to accredited information and awareness, financial assistance for testing and medical treatment, psychosocial support as well as family medical testing and support, as we navigate our way through the pandemic. A key aspect of the People First Culture is the building of an enabling work environment through a culture based on our 3C's: Commitment; Collaboration and Confidence. The 3Cs provides a basis for our employee engagement where we proactively seek employees' views, input and contribution in working together to foster an inclusive work place experience. We leverage on the diversity of our people and acknowledge that each individual makes a unique contribution to our organization. Employees are also provided with opportunities to develop their skills and competencies in order to increase their personal productivity and enhance their career aspirations through a comprehensive learning and development framework. The Letshego Experience is an holistic ecosystem approach that draws on the latest organisational research and people tools, strategic partnerships and social mechanisms to inspire and empower our people to gain from and contribute to a multidimensional, world-class working experience. An experience that not only delivers direct and sustainable benefit for our people, but also brings indirect benefit for our organisation, our valued stakeholders and our communities where we live and work.

Compliance with King IV

The Board is satisfied with the Group's progress in applying the recommendations of King IV and the other codes used in the countries in which the Group operates. Sixteen of the governance principles in King IV apply to our business. The following is a summary of our evaluation of where we have complied, or if not, our efforts to ensure full compliance:

King IV Reference	King IV Principle	2021	Commentary
Principle 1	The governing body should lead ethically and effectively.	Applied	The Board and its Committees, in accordance with the Board and Committee Charters, is the focal point and custodian of corporate governance. Board members are required to comply with the Board Charter, which embodies the ethical characteristics listed in King IV, the Botswana Stock Exchange (BSE) equity listings requirements and the Johannesburg Stock Exchange (JSE) debts listings requirements. The Board and Committee Charter set the tone and outlines the responsibility of the Board to ensure that Letshego Group is ethically and effectively managed. While the Board's performance against these requirements should be evaluated every other year, the formalisation of this process has been identified as an area requiring improvement.
Principle 2	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Partly Applied	The Board has delegated to GRSEC the responsibility for the monitoring and reporting the social, ethical, and sustainability practices that are consistent with good corporate citizenship. The rollout of the Group social, ethical, and sustainability practices that are embedded in the Corporate Governance Framework for subsidiary Boards is at various stages of implementation across its subsidiaries in Africa.
Principle 3	The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	Applied	The Board has tasked the GGNC with the responsibility to oversee the discharge of its corporate governance agenda. The responsibility of the committee is to monitor the adherence to legislation and accreditation. The Group's Strategic and Social Investment (SSI) policy continues to remain focused on sustainable development and the improvement of lives in communities.
Principle 4	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	Applied	The Board approves and monitors the implementation of the strategy and business plans for each of the territories in which the Group operates. The Board and GRSEC review key risks and opportunities that have an impact on the achievement of its strategic objectives across its operations. The Board holds an annual strategy session, in which it deliberates on the Group's strategy, assesses the risks and opportunities, considers progress made the implementation of the strategy and ensures that it is in line with Group mandate and long-term success and sustainability of the Group's business. To this end, the Group has identified, within its risk appetite, the critical risks associated with its business model, including the mitigating factors.
Principle 5	The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long term prospects.	Applied	The Board works with the GRSEC and GAC to review and approve the Integrated Annual Report. The report is prepared in line with the Companies Act, the BSE Equity Listings Requirements, the JSE Debt Listings Requirements, King IV, and International Financial Reporting Standards (IFRS). The Board ensures the integrity of the Group's integrated report on an annual basis. The Group's Integrated Annual Report covers both its historical performance and future outlook to the extent required and permitted by regulations. Together with other communications, this report is made available to enable stakeholders to make informed assessments of Letshego's prospects.
Principle 6	The governing body should serve as the focal point and custodian of the corporate governance in the organisation.	Partly Applied	The roles, responsibilities, and procedural conduct of the Board are documented in the Board Charter, which is reviewed every other year. For subsidiaries, the role, responsibilities, and procedural conduct of Boards is contained in the Corporate Governance Framework for Subsidiary Boards, which is at various stages of implementation.

King IV Reference	King IV Principle	2021	Commentary
Principle 7	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	Applied	The Board, assisted by GGNC, considers, on an ongoing basis the balance of skills, experience, diversity, independence, and knowledge needed to discharge the Board's role and responsibility. The Board Charter and the Directors Induction guidelines lays out the Directors appointment process, including criteria for assessing whether the potential candidates are competent and can contribute to the business. All Non-Executive Directors appointments are voted on by shareholders at Annual General Meetings by either ratification of appointments made by the Board or by voting on the re-election of directors who retire by rotation. With regards to its subsidiaries across Africa, the Board composition was at various stages of completion. The Group Board is now fully constituted. During the year and post year end it was strengthened by one new appointment.
Principle 8	The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Applied	The Board has five committees that help it to discharge its duties and responsibilities being: GAC, GRSEC, GGNC, GSIC, and GRemCo. The committees are appropriately constituted, and members are appointed by the Board. A delegation by the Board of its responsibilities to a committee does not constitute a discharge of the Board's responsibilities or accountability. The Board applies its collective mind to consider the information, opinions, recommendations, reports and statements presented by the committees.
Principle 9	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	Applied	A formal appraisal of the Board was performed in 2021 by the IoDSA. In-house self-assessment for Board committees was conducted during the period under review. The results were presented to the Board during the first quarter of 2021 meeting with all the areas identified as requiring improvement were set out as actionable tasks. Formalisation of subsidiary Board appraisal processes and self-assessment processes is underway. Both the Group and subsidiary Boards are yet to formalise and carry out individual Board members' performance evaluation exercises.
Principle 10	The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities.	Partly Applied	While retaining overall accountability and subject to matters reserved to itself, the Board has delegated authority to the Group CE to run the day-to-day affairs of the company in line with the Delegation of Authority framework, which sets out authority thresholds and governs sub-delegation. The framework also prescribes authority levels for each of the territories in which the Group operates. Cascading the Delegation of Authority framework to the subsidiaries is underway.
Principle 11	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	Applied	The Board, with support from GRSEC, is ultimately responsible for the governance of risk. The role of GRSEC as set out on page •• is to ensure that the Group has implemented an effective framework for risk management that enhances the Group's ability to achieve its strategic objectives. The GRSEC is responsible for the development and implementation of the Enterprise Risk Management Framework (ERMF) including the policies, systems, processes, and training needed to ensure effective risk governance. To further enhance the ERMF rollout, a formal comprehensive Risk Appetite Framework (RAF) was developed and implemented in 2019/2020. The RAF will have the objective to support the Group's underlying businesses, ensuring that our risk profile is known and assessed against established risk appetite targets and limits. In line with King IV, our Group internal audit function reports directly to the Group Audit Committee. GAC approves a risk based internal audit plan at the beginning of each year and ensures that the internal audit function has adequate resources, budget standing and authority to enable it to discharge its functions. The Group Chief Internal Auditor has a functional reporting line to the Group Audit Committee, and administratively reports to the Group CE.

King IV Reference	King IV Principle	2021	Commentary
Principle 12	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	Partly Applied	The Board recognises the importance of technology and information as it is interrelated to the strategy, performance and sustainability of the Group. The Board Charter requires the Board to assume responsibility for IT governance. The Board has delegated oversight responsibility to GRSEC. At management level, the Group established a Group Technology and Operations Committee to ensure effective IT governance. The Group IT strategy is integrated with the Group's business strategy and business processes. GRSEC is responsible for managing the performance and sustainability objectives of the Group and ensures that IT is aligned to these objectives. The IT Governance Framework and the Enterprise Risk Management frameworks of the Group include the assessment and management of all significant IT risks. IT risk management includes disaster recovery planning, cyber security, system implementation of operational controls/ policies, IT legal risks and compliance with laws, rules, codes, and standards and are an integral part of the Group's risk management. The GRSEC and GAC charters require the committees to ensure that IT risks are adequately addressed, and that assurance is given to confirm that adequate controls are in place. GRSEC reviews IT risks and controls, adequacy of business continuity management, including disaster recovery plans for IT, information security, privacy, and authorised access.
Principle 13	The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.	Applied	The Board, with assistance from GNSEC, GAC and GRC, oversees the governance of compliance. Compliance falls within the risk matrix and forms part of the business risk management process. Through GRSEC, the Board can address the legal and compliance requirements of the institution. The legal and compliance update is a standing agenda item of GRSEC; during which the Board is apprised on legal and compliance risk, and deliberate over the applicable legislations, and the Group's approach to the stated laws. Applicable laws are reported to the Board, via GRSEC, by the legal and compliance function. Any new legislation or rules which affect the Group, and its subsidiaries are notified to the Board, advising on the legal requirement applicability and how the rules are being disseminated to the applicable areas of business which are impacted.
Principle 14	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term.	Applied	The Board, with assistance from GRemCo, ensures that staff members are remunerated fairly, responsibly, transparently, and in line with industry standards to promote the creation of value in a sustainable manner. The implementation of a Group-wide Remuneration Policy and Framework has been identified as an area requiring improvement. All the remuneration-related shortcomings were addressed during the year ending 31 December 2021 as part of improving this policy and framework. The Group participates in annual remuneration surveys for the purposes of benchmarking and also provides performance-based short- and long-term remuneration incentives to attract, incentivise, and retain good performers as part of the overall alignment of shareholders and company objectives. The remuneration of each individual executive and non-executive director' is included in this Integrated Annual Report.

King IV Reference	King IV Principle	2021	Commentary
Principle 15	The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	Applied	In line with GAC charter, the committee ensures that the combined assurance received from the external and internal auditors is appropriate to address all the significant risks facing the Group. A Group wide combined assurance model is being formulated. GAC monitors and supervises the effectiveness of the internal audit function and ensures that the roles and functions of external audit and internal audit are sufficiently clarified and coordinated to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting. The Group Audit Committee recommends to the Board which firm(s) should be appointed in the event of a change of external auditor(s), their reappointment, and/ or removal. The committee also evaluates the performance of the external auditor(s) and the engagement partner is rotated at least every five years, or such other frequency deemed to be appropriate, based on the external audit firm rules to enhance actual and perceived independence.
Principle 16	In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder–inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	Applied	The Company Secretary and the Group Head of Investor Relations act as a primary points of contact for institutional investors, other shareholders, and all stakeholders. The Board encourages proactive engagement with shareholders, including engagement at the AGM. Directors are present at the AGM to respond to shareholder queries on how the Board has executed its governance duties. The designated partner of the audit firm also attends the AGM.
Principle 17	The governing body of an institutional investor organisation should ensure that responsible investment is practiced by the organisation to promote good governance and the creation of value by the companies in which it invests.	N/A	The principle is not applicable as the Group is not an institutional investor.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CONTENTS

GROUP CORPORATE INFORMATION

Letshego Holdings Limited is incorporated in the Republic of Botswana Registration number: UIN BW00000877524 and previously Co. 98/442 Date of incorporation: 4 March 1998

A publicly listed commercial entity whose liability is limited by shares

COMPANY SECRETARY AND REGISTERED OFFICE

Lebogang Rathedi
Tower C,
Zambezi Towers
Plot 54352
Central Business District
Gaborone, Botswana

INDEPENDENT EXTERNAL AUDITORS

Ernst and Young
2nd Floor, Plot 22
Khama Crescent
Gaborone, Botswana

TRANSFER SECRETARIES

PricewaterhouseCoopers (Pty) Limited
Plot 50371
Fairground Office Park
Gaborone, Botswana

ATTORNEYS AND LEGAL ADVISORS

Armstrongs
Acacia House
Plot 53438
Cnr Khama Crescent Extension and PG Matante Road
Gaborone, Botswana

DIRECTORS' REPORT

The Directors have pleasure in submitting to the Shareholders their report and the audited consolidated financial statements of Letshego Holdings Limited (the Company) and its subsidiaries (together "the Group") for the year ended 31 December 2021.

NATURE OF BUSINESS

Letshego Group is a retail financial services organisation involved in banking and microfinance activities in 11 African countries across East, West and Southern Africa. Six of the 11 operations have deposit-taking licenses with the rest being microfinance institutions. The Group's ambition is to increase its deposit taking capabilities across the footprint.

STATED CAPITAL

Stated capital of the Group at 31 December 2021 amounted to P882,224,337 (31 December 2020: P872,169,337).

On the 26th February 2021, 5,348,420 (prior year: 4,483,050) ordinary shares were issued in terms of the Group's Long Term Incentive Plan. These were issued from shares currently held as treasury shares and the remaining treasury shares at the end of the year were 9,222,720 (prior year: 14,571,140).

DIVIDENDS

An interim dividend of 7.3 thebe per share (prior year: 3.9 thebe per share) was declared on 12 August 2021.

A second and final dividend of 9.7 thebe per share (prior year: 8.3 thebe) was declared on 25 February 2022 and will be paid on or about 31 May 2022.

DIRECTORS

The following persons were directors of the Group:

Non-executive

Name	Details	Nationality
E.N Banda	Chairman	South African
S. Price		British
H. Karuhanga		Ugandan
Dr G. Somolekae		Batswana
R. N. Alam	Resigned 24 March 2022	American
C. Lesetedi		Batswana
G. Van Heerde		South African
P. Odera		Kenyan
A. Odubola		Nigerian
R. Hoekman		Dutch
R. Mwaura	Appointed 02 December 2021	Kenyan

Executive

Name	Position	Nationality
A.F. Okai	Group Chief Executive Officer – appointed 01 February 2020	Ghanaian
G.T. Muteiwa	Group Chief Financial Officer – appointed 24 March 2020	Zimbabwean

DIRECTORS' SHAREHOLDINGS

The aggregate number of shares held directly by Directors at 31 December 2021 were at 33 405 (31 December 2020: 28 987). Full details of this shareholding are available at the registered office of the Company or at the office of the transfer secretaries.

LONG TERM INCENTIVE PLAN

The Group operates an equity-settled conditional Long-Term Incentive Plan (LTIP), which was approved by shareholders at an Extraordinary General Meeting held on 20 December 2005. Under the plan, conditional share awards are granted to management and key employees. The estimation of shares to vest for a year is based on internal projections as to the specified non-market conditions being achieved. Shares are awarded in the holding company, Letshego Holdings Limited, which is listed on the Botswana Stock Exchange.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of the consolidated annual financial statements of Letshego Holdings Limited the "Group" that give a true and fair view, comprising the consolidated statement of financial position at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the Botswana Companies Act.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and effective system of risk management, as well as the preparation of the supplementary schedules included in these financial statements.

The Directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe the businesses will not be a going concern in the year ahead.

The external auditor is responsible for reporting on whether the consolidated annual financial statements give a true and fair view in accordance with International Financial Reporting Standards.

APPROVAL OF THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS:

The consolidated annual financial statements of Letshego Holdings Limited as identified in the first paragraph, were approved by the Board of Directors on 31 March 2022 and are signed on its behalf by:

E.N. BANDA
CHAIRMAN

A.F. OKAI
GROUP CHIEF EXECUTIVE OFFICER

INDEPENDENT AUDITOR'S REPORT

EY
Building a better working world

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Independent Auditor's Report
To the Shareholders of Letshego Holdings Limited
Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Letshego Holdings Limited and its subsidiaries (the Group) set out on pages 154 to 242, which comprise the consolidated statement of financial position at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Letshego Holdings Limited at 31 December 2021, and of its consolidated financial performance and of its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01).

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 Code of Ethics for Professional Accountants (IESBA Code)* together with other ethical requirements that are relevant to our audit of the consolidated financial statements. 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 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. 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 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 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 financial statements.

The Key Audit Matters apply only to the audit of the consolidated financial statements.

Key Audit Matter	How the matter was addressed in the audit
Impairment of Loans and Advances	
Loans and advances represent 74% of the Group's total assets. The associated impairment provisions are significant in the context of the consolidated financial statements in respect of IFRS 9, *Financial Instruments*. The estimation of credit losses is inherently uncertain and is subject to significant judgement and estimates. Furthermore, models used to determine credit impairments are complex, and certain inputs used in the models are not fully observable. Any model and data deficiencies are compensated for by applying overlays to the outputs. The calculation of these overlays is highly subjective. This estimation uncertainty is further increased by ongoing volatility in geographical sectors in which the Group operates. The expected credit loss models require the application of forward-looking information in determining key inputs such as economic variables that affect the output of the models. Forward looking information inherently involves judgement and estimates supported by historical experience and analysis in determining the inputs in the variables, that affect the Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Defaults (EAD) risk factors of the loan considering the loan portfolio as well as the forecasted values of those risk factors over a period of time depending on the expected life of the portfolio. *ECL Measurement basis* The ECLs are measured using the 3stage model which determines how the loss allowance for ECLs is measured and how the effective interest income on the financial asset is calculated. The ECL models require degree of judgement in determining Significant Increase in Credit Risk thresholds, classification of exposures between Stage 1 and Stage 2 and the degree of judgement applied by management in determining the forward-looking information that is an input into the ECL calculations. Given the combination of inherent subjectivity in the preparation of the excepted credit loss models, and the judgement and estimates involved in determining the inputs into the models, we considered the calculation of the expected	With the support of our internal valuation specialists, we performed the following audit procedures amongst others: We obtained an understanding of the Group's credit policy and evaluated and tested the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment. We assessed the appropriateness of the models and methodologies against accounting standards and generally accepted industry principles. We reconciled the data from the core banking systems of each jurisdiction to the relevant ECL models. We evaluated the appropriateness of the forecasted information developed by management for each jurisdiction by comparing it against the relevant historical data in relation to the support measures implemented (payment holidays) due to the effects of COVID-19 on customers and taking into account the other macroeconomic factors of the various jurisdictions which we have benchmarked against external evidence. We reperformed the staging distribution for a sample of loans and advances to assess the accuracy of the staging applied in the models against the criteria indicated by management. We evaluated management's criteria used to allocate the loans and advances between stage 1, 2 or 3 in accordance with the guidance provided in IFRS 9. We evaluated the impact of COVID-19 support measures such as payment holidays on the staging of various types of portfolios and its effect on the ECL models. We evaluated management's rationale for the variable overlays to the models, as well as whether additional overlays should be applied to the model and evaluated them against our understanding of the factors used based on independent data. Based on our judgement, we performed sensitivity analyses

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credit losses in accordance with IFRS 9, *Financial Instruments* as applicable to the Group's loans and advances to be a key audit matter in our audit of the consolidated financial statements. The disclosures associated with impairment of loans and advances are set out in the consolidated financial statements in note 1.3.1 Credit risk and note 5 Advances to Customers	to assess the impact of the changes to the inputs on the valuation of the ECL. We assessed the adequacy of the disclosures related to IFRS 9, *Financial Instruments*, in the notes to the consolidated financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Group Corporate Information, the Directors' report, the Directors' Responsibility Statement, the Five-Year Financial History, the Group Value Added Statement and the Analysis of Shareholding 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 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 identified above 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 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 and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act (CAP 42:01) 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.

Those charged with governance are responsible for overseeing the Group's financial reporting processes.

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working world

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 Group audit. We remain solely responsible for our audit opinion.

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 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 2022
Gaborone

31 March 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2021

	Note	31 December 2021 P'000	31 December 2020 P'000
ASSETS			
Cash and cash equivalents	3	1 413 500	1 043 864
Investment in securities	4	859 496	–
Advances to customers	5	11 875 595	10 161 534
Other receivables	6	413 411	263 202
Financial assets at fair value through profit or loss	7	826 092	140 804
Financial assets at fair value through other comprehensive income	8	71 499	59 408
Income tax receivable		134 767	102 633
Property and equipment	9	172 822	94 229
Right-of-use assets	10	98 756	131 703
Intangible assets	11	30 040	39 091
Goodwill	12	67 715	65 598
Deferred tax assets	27.1	95 748	124 139
Total assets		**16 059 441**	**12 226 205**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities at fair value through profit or loss	13	808 621	152 855
Customer deposits	14	1 175 586	664 393
Cash collateral	15	21 522	18 838
Trade and other payables	16	965 860	714 548
Lease liabilities	17	99 646	133 377
Income tax payable		96 268	103 057
Borrowings	18	7 380 768	5 649 561
Deferred tax liabilities	27.1	5 168	–
Total liabilities		**10 553 439**	**7 436 629**
Shareholders' equity			
Stated capital	19	882 224	872 169
Foreign currency translation reserve		(557 341)	(885 673)
Legal reserve	20	265 244	214 835
Fair value adjustment reserve		15 248	5 817
Share-based payment reserve	21	39 907	31 295
Retained earnings		4 421 568	4 133 314
Total equity attributable to equity holders of the parent company		**5 066 850**	**4 371 757**
Non-controlling interests		439 152	417 819
Total shareholders' equity		**5 506 002**	**4 789 576**
Total liabilities and equity		**16 059 441**	**12 226 205**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 P'000	31 December 2020 P'000
Interest income at effective interest rate	22	3 110 511	2 712 278
Interest expense at effective interest rate	23	(1 119 108)	(819 324)
Other interest expense	23.1	(12 569)	(31 640)
Net interest income		**1 978 834**	**1 861 314**
Fee and commission income	24	83 681	71 033
Other operating income	24.1	284 243	212 536
Operating income		**2 346 758**	**2 144 883**
Employee benefits	25	(546 241)	(493 497)
Other operating expenses	26	(670 969)	(595 308)
Net income before impairment and taxation		**1 129 548**	**1 056 078**
Expected credit losses	5	17 196	(25 771)
Profit before taxation		**1 146 744**	**1 030 307**
Taxation	27	(417 243)	(399 434)
Profit for the year		**729 501**	**630 873**
Attributable to:			
Equity holders of the parent company		671 554	575 718
Non-controlling interest		57 947	55 155
Profit for the year		**729 501**	**630 873**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss, net of tax			
Fair value adjustment of financial asset	8	9 431	5 817
Foreign operations – foreign currency translation differences		329 824	(219 197)
Total comprehensive income for the year		**1 068 756**	**417 493**
Attributable to:			
Equity holders of the parent company		1 009 317	371 747
Non-controlling interest		59 439	45 746
Total comprehensive income for the year		**1 068 756**	**417 493**
Earnings per share			
Basic earnings per share – (thebe)	28	31.5	27.1
Diluted earnings per share – (thebe)	28	29.4	25.7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Stated capital P'000	Retained earnings P'000	Share-based payments reserve P'000
Balance at 01 January 2021		**872 169**	**4 133 314**	**31 295**
Total comprehensive income for the year				
Profit for the year		–	671 554	–
Other comprehensive income, net of income tax				
Fair value adjustment of financial asset		–	–	–
Foreign currency translation		–	–	–
Transactions with owners, recorded directly in equity				
Allocation to legal reserve	20	–	(50 409)	–
Recognition of share-based payment reserve movement	21	–	–	18 667
New shares issued from long-term incentive scheme	21	10 055	–	(10 055)
Dividends paid by subsidiary to minority interests		–	–	–
Dividends paid to equity holders	29	–	(332 891)	–
Balance at 31 December 2021		**882 224**	**4 421 568**	**39 907**
Balance at 1 January 2020 – Restated		**862 621**	**3 823 280**	**24 304**
Total comprehensive income for the year				
Profit for the year		–	575 718	–
Other comprehensive income, net of income tax				
Fair value adjustment of financial asset		–	–	–
Foreign currency translation		–	–	–
Transactions with owners, recorded directly in equity				
Allocation to legal reserve	20	–	(19 042)	–
Recognition of share based payment reserve movement	21	–	–	16 539
New shares issued from long term incentive scheme	21	9 548	–	(9 548)
Dividends paid by subsidiary to minority interests		–	–	–
Dividends paid to equity holders	29	–	(246 642)	–
Balance at 31 December 2020		**872 169**	**4 133 314**	**31 295**

	Fair value reserve of financial assets at FVOCI P'000	Foreign currency translation reserve P'000	Legal reserve P'000	Non-controlling interests P'000	Total P'000
	5 817	**(885 673)**	**214 835**	**417 819**	**4 789 576**
		–	–	57 947	729 501
	9 431	–	–	–	9 431
	–	328 332	–	1 492	329 824
	–	–	50 409	–	–
	–	–	–	–	18 667
	–	–	–	–	–
	–	–	–	(38 106)	(38 106)
	–	–	–	–	(332 891)
	15 248	**(557 341)**	**265 244**	**439 152**	**5 506 002**
	–	**(675 885)**	**195 793**	**390 823**	**4 620 936**
	–	–	–	55 155	630 873
	5 817	–	–	–	5 817
	–	(209 788)	–	(9 409)	(219 197)
	–	–	19 042	–	–
	–	–	–	–	16 539
	–	–	–	–	–
	–	–	–	(18 750)	(18 750)
	–	–	–	–	(246 642)
	5 817	**(885 673)**	**214 835**	**417 819**	**4 789 576**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	31 December 2021 P'000	31 December 2020 P'000
OPERATING ACTIVITIES			
Profit before taxation		1 146 744	1 030 307
Adjustments for:			
– Interest income at effective interest rate		(3 110 511)	(2 712 278)
– Interest expense		1 131 677	850 964
– Amortisation of intangible assets	11	13 788	14 402
– Depreciation of property and equipment	9	37 638	35 406
– Depreciation of right-of-use assets	10	47 255	35 183
– Loss on disposal and write off of plant and equipment		2 324	683
– Loss on disposal and write off of intangible assets		138	–
– Net impairment and write off charge	5	161 121	224 400
– Net foreign exchange differences		(215 203)	(238 697)
– Net change in market adjustments on foreign currency swaps		(21 316)	3 846
– Net change in market adjustments on interest rate swaps		(8 206)	(7 184)
– Long-term incentive plan provision		18 667	16 539
Changes in working capital:			
Movement in advances to customers		(1 876 058)	(1 308 390)
Movement in other receivables		(150 209)	(15 206)
Movement in trade and other payables		251 312	160 776
Movement in customer deposits		511 193	237 720
Movement in cash collateral		2 684	(2 883)
Cash used in operations		**(2 056 962)**	**(1 674 412)**
Interest received		3 110 511	2 712 278
Interest paid		(1 116 747)	(837 911)
Income tax paid	27.3	(422 607)	(536 257)
Net cash flows used in operating activities		**(485 805)**	**(336 302)**
INVESTING ACTIVITIES			
Purchase of treasury bonds	4	(859 496)	–
Purchase of property and equipment*	9	(112 908)	(41 200)
Purchase of intangible assets*	11	(2 926)	(4 120)
Net cash flows used in investing activities		**(975 330)**	**(45 320)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		(332 891)	(246 642)
Dividends paid to subsidiary non-controlling interest		(38 106)	(18 750)
Repayment of principal portion of lease liabilities**		(48 039)	(36 833)
Repayment of interest portion of lease liabilities**		(14 930)	(13 053)
Proceeds received from borrowings	18	2 817 052	1 273 785
Repayment of borrowings		(636 976)	(519 042)
Net cash generated from financing activities		**1 746 110**	**439 465**
Net movement in cash and cash equivalents		**284 975**	**57 843**
Movement in cash and cash equivalents			
At the beginning of the year		986 534	972 123
Movement during the year		284 975	57 843
Effect of exchange rate changes on cash and cash equivalents		83 785	(43 432)
At the end of the year	3	**1 355 294**	**986 534**

* In the prior year, purchase of property and equipment and purchase of intangible assets were reflected as a combined amount. The separation of these in the current year was undertaken in order to provide information that is reliable and more relevant to the users of the financial statements.

** In the prior year, repayment of principal and repayment of interest portions of lease liabilities were reflected as a combined amount. The separation of these in the current year was undertaken in order to provide information that is reliable and more relevant to the users of the financial statements.

SIGNIFICANT ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 DECEMBER 2021

Reporting entity
Letshego Holdings Limited (the Company) is a limited liability company incorporated and domiciled in Botswana. The address of the company is Tower C, Zambezi Towers, Plot 54352 Central Business District, Gaborone, Botswana. The consolidated financial statements of the Company as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities"). The Group is a retail financial services organisation involved in banking and microfinance activities in 11 African countries across East, West and Southern Africa. Six of the 11 operations have deposit-taking licenses with the rest being microfinance institutions. The Group's ambition is to increase its deposit taking capabilities across the footprint.

The consolidated financial statements for the year ended 31 December 2021 have been approved for issue by the Board of Directors on 31 March 2022.

The following principal accounting policies, which are consistent with prior years except for the adoption of new / amended accounting standards, have been adopted in the preparation of these consolidated annual financial statements.

Statement of compliance
The consolidated annual financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Botswana Companies Act.

Basis of preparation
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated annual financial statements are presented in Botswana Pula, which is the Group's reporting currency and the Company's functional currency. Except where indicated, financial information presented in Pula has been rounded to the nearest thousand.

The consolidated annual financial statements have been prepared on the historical cost basis except for certain financial instruments which are disclosed at fair value.

BASIS OF CONSOLIDATION

Investments in subsidiaries
Subsidiaries are investees controlled by the Group. The Group 'controls' an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are presently exercisable are taken into account. The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value, as are the identifiable assets acquired and liabilities assumed.

Transaction costs are expensed as incurred except if it relates to the issue of debt or equity securities.

Goodwill
The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. The carrying amount of goodwill is assessed annually for impairment. An impairment loss recognised on goodwill is not reversed in a subsequent period.

Transactions eliminated on consolidation
Intra group balances and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Non-controlling interest
Non-controlling interest (NCI) is shown separately in the consolidated statement of financial position and statement of profit and loss and other comprehensive income. NCIs are viewed as equity participants of the Group and all transactions with minorities are therefore accounted for as equity transactions and included in the consolidated statement of changes in equity. NCI is measured at proportionate share of the acquiree's identifiable net assets.

Loss of control
When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained is measured at fair value when control is lost.

Change in the Group's interest in subsidiaries
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with the equity owners of the Group. A change in ownership in interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect the relative interests in the subsidiary. Any differences between the amount of the adjustment to non-controlling interests and any consideration paid or received is recorded in equity.

PROPERTY AND EQUIPMENT

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment / losses.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the plant and equipment. The estimated useful lives for current and prior periods are as follows:

Computer equipment	3 years
Office furniture and equipment	4 – 5 years
Motor vehicles	4 years
Land and building	30 – 50 years

Land and buildings are stated on the historical cost basis and not depreciated as these assets are considered to have indefinite economic useful lives. Repairs and maintenance are recognised in profit or loss during the financial period in which these costs are incurred, whereas the cost of major renovation is included in the carrying amount of the related asset when it is probable that future economic benefits will flow to the Group.

The residual value and useful life of each part of plant and equipment, if not insignificant, is reassessed annually. Depreciation costs are recognised on a pro rata basis from the date the asset is available for use.

Subsequent expenditure is capitalised when it is probable that the future economic benefits will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of property, plant and equipment items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

WORK IN PROGRESS

Work in progress comprises of costs incurred in the on-going construction of items that are held for use in the production and supply of goods or services and incurred in on-going design, construction and testing of computer software that is identifiable, which the Group has control over and future economic benefits will flow from the asset. The costs associated with the construction and development processes indicated are recognised as work-in-progress until a time that the assets are available for use, that is, when the assets are in the location and condition necessary to be capable of operating in the manner intended by management. At this point, the respective element will be transferred from work-in-progress to an appropriate category of property and equipment and/or intangible assets and is depreciated/amortised over the useful life of the asset.

FOREIGN CURRENCY TRANSACTIONS

Transactions conducted in foreign currencies are translated to Pula at the spot exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Pula using the closing exchange rate at the reporting date. Foreign exchange differences arising on translation are recognised in profit or loss.

FOREIGN OPERATIONS' FINANCIAL STATEMENTS

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Botswana Pula using the closing exchange rate at the financial period end. The income and expenses of foreign operations are translated to Botswana Pula at rates approximating those exchange rates at the dates of the transactions. Foreign currency differences are recognised directly in equity in the foreign currency translation reserve. When a foreign operation is disposed of, either in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss.

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Property 2 to 5 years

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Discount factor

Under IFRS 16 'Leases', discount rates are used to determine the present value of the lease payments used to measure a lessee's lease liability. Discount rates are also used to determine lease classification for a lessor and to measure a lessor's net investment in a lease. For lessees, the lease payments are required to be discounted using:

- the interest rate implicit in the lease if readily determinable, or
- the lessee's incremental borrowing rate.

The lessee's incremental borrowing rate

Where the lessee is unable to readily determine the interest rate implicit in the lease, the discount rate will be the lessee's incremental borrowing rate. The incremental borrowing rate is an interest rate specific to the lessee that reflects:

- the credit risk of the lessee
- the term of the lease
- the nature and quality of the security
- the amount 'borrowed' by the lessee, and
- the economic environment (the country, the currency and the date that the lease is entered into) in which the transaction occurs.

The Group uses the incremental borrowing rate as the discount factor and the applicable rates were determined per country. The discount factors take into account the interest rates on the existing facilities where applicable and commercial rates that Group entities could be offered by their lenders if they were to source funding.

INTANGIBLE ASSETS

Computer Software

Software acquired by the Group is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development.

The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life. Internally developed software is measured at capitalised cost less accumulated amortisation and impairment.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimate useful life of software for current and prior periods is 3 years to 10 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Computer software is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

Brand value and core deposits

Brand value and core deposits acquired in a business combination are recognised at fair value at the acquisition date. Brand value is the right to use the trade name and associated brands of the acquired entity and core deposits relates to the customer relationships attributable to customer deposits of the acquired entity. These are carried at cost less accumulated amortisation at each reporting period. Amortisation is recognised in profit or loss using the straight-line method over their estimated useful lives.

Brand value is amortised over its expected useful life of 7 years whereas core deposits are amortised over its useful life of 8 years. These intangible assets are tested for impairment annually at the cash generating unit level.

Brand value and core deposits is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gains and losses on disposal of these intangible asset items are determined by comparing proceeds with the carrying amounts and recognised in profit or loss.

PROVISIONS

Provisions are recognised when the Group has a present legal obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

INCOME TAX

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case the related income tax is also recognised in equity.

Current tax

Current tax comprises tax payable/refundable calculated on the basis of the expected taxable income for the year, using tax rates enacted at the reporting date, and any adjustment of tax payable/refundable for previous years.

Deferred tax

Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in profit or loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination. The effect on tax of any changes in tax rates is recognised in profit or loss, except to the extent that it relates to items previously charged or credited directly to equity.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

INTEREST INCOME

Interest income is recognised in profit or loss at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual / behavioural terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and administration charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

FEE AND COMMISSION INCOME

Administration fees – lending

The Group earns fee and commission income from a diverse range of financial services it provides to its customers. Where fees and commissions form an integral part of the effective interest on a financial asset or liability these are included and measured based on effective interest rate. Fees and commissions, which relate to transaction and service fees where the performance obligation is satisfied over a period of time are recognised on an accrual basis as the service is rendered.

Credit life and disability insurance commission

Where the Group is acting as an agent, commissions and fees earned on the sale of insurance products to customers on behalf of the insurer are recognised on a time-apportionment basis over the period the service is provided.

Early settlement fee

This is a settlement penalty fee, which is levied on customers when they settle their loans before the maturity date and are recognised in profit or loss as other operating income when these loans are settled.

Other income

Other income comprises income from statement fees, market to market gains on foreign currency swaps and other non-core income streams which are recognised in profit and loss as and when they are earned.

INTEREST EXPENSE

Interest expense is recognised in profit or loss using the effective interest method as describe under the interest income policy above. Foreign currency gains and losses on interest earning financial liabilities are recognised in profit or loss, as part of interest expense, as they are incurred.

Interest from bank deposits

Interest from bank deposit is incurred on an accruals basis at the agreed interest rate with the respective financial institution.

LEGAL RESERVE

According to the commercial code applicable to certain subsidiaries, a non-distributable legal reserve of the subsidiaries' annual profits is transferred till the reserve is equal to the subsidiaries' share capital.

STATED CAPITAL

Stated capital is recognised at the fair value of the consideration received. Incremental costs that are directly attributable to the issue of an equity instrument are deducted from initial measurement of the equity instrument.

Treasury shares is where the Group purchases its own stated capital. The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are re-issued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders' equity.

DIVIDENDS PAID

Dividends on ordinary shares are recognised against equity in the period in which they are approved by the Directors. Dividends declared after the reporting date, are not recognised as a liability in the consolidated statement of financial position.

EMPLOYEE BENEFITS

Short-term employee benefits

Short term employee benefits are expensed as the related services are provided. Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is recognised for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Post-employment benefits

The Group operates a defined contribution retirement benefit fund. A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the profit or loss as an expense when they are due in respect of service rendered before the end of the reporting period.

Under the defined contribution plans in which the Group and its employees participate, the Group and the employees contribute fixed percentages of gross basic salary on a monthly basis.

Staff incentive bonus scheme

The Group also operates a staff incentive bonus scheme. The provision for employee bonus incentive is based on a predetermined group policy and is recognised in trade and other payables. The accrual for employee bonus incentives is expected to be settled within 12 months to 36 months.

Payroll administration costs

Administration costs are charged by employers for payroll deduction facilities. These costs are set-off against recoveries made from clients. Where the Group is not able to recover in full such administration costs, they are recognised in profit or loss as incurred.

SHARE-BASED PAYMENT TRANSACTIONS

The Group operates an equity-settled conditional Long Term Incentive Plan (LTIP). Conditional awards are granted to management and key employees. The Group also grants its own equity instruments to employees of its subsidiary as part of group share-based payment arrangements. The number of vesting awards is subject to achievement of specific performance metrics.

The grant date fair value of awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the actual number of awards that vest.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest.

The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share based payment reserve and credited against retained earnings.

The proceeds received net of any attributable transaction costs are credited to stated capital when the options are exercised.

Determination of fair value of equity instruments granted

The share price of Letshego Holdings Limited (as quoted on the Botswana Stock Exchange) of the Group's equity instruments at grant date is the estimated fair value of the share options granted. No adjustments are made for non-market vesting conditions as there are none. Therefore, no valuation techniques are used (Monte Carlo / Black Scholes etc.) as the quoted price at grant date is the fair value. The details of the Group's Share Incentive Scheme are reflected in Note 21.

SEGMENT REPORTING

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on geographical segments. Segment results include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares arising from the Long Term Incentive Plan (LTIP) awards.

EARNINGS PER SHARE (continued)

Headline earnings per share

The Groups' headline earnings per share (HEPS) is calculated based on the Johannesburg Stock Exchange (JSE) rules per Circular 1/2021.

Dividend per share

Dividend per share is calculated by dividing the earnings attributable to ordinary equity holders by the number of shares outstanding at the end of a period. The number of shares used to calculate the dividend per share excludes shares held as treasury shares.

CONTINGENT LIABILITIES

The Group discloses a contingent liability where it has a possible obligation from past events, the existence of which will be confirmed only by the occurrence of one or more uncertain events not wholly within the control of the Group.

FINANCIAL ASSETS AND LIABILITIES

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

FINANCIAL ASSETS

Initial recognition and measurement

The Group initially recognises financial assets on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group's financial assets and liabilities consist of the following significant items.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets at amortised cost consists of advances to customers, other receivables and cash and cash equivalents.

Advances to customers

Advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Advances to customers are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

Other receivables

Other receivables comprise deposits and other recoverables which arise during the normal course of business. These are initially measured at fair value plus incremental direct transaction costs, and are subsequently measured at their amortised cost using the effective interest method.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with financial institutions. Bank overdrafts, which are repayable on demand and form an integral part of the Group's cash management, are included as a component of cash and cash equivalents. Cash and cash equivalents are measured at amortised cost in the consolidated statement of financial position.

Financial assets at fair value through OCI

Financial assets at fair value through OCI are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period. Financial assets at fair value through OCI are subsequently measured at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired. Dividends received from financial assets at fair value through OCI equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Financial assets at fair value through profit or loss

The Group may designate financial assets at fair value through profit or loss when either:

- the assets are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial assets at fair value through profit or loss are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets and issued for management of short term currency exposures. Financial assets at fair value through profit or loss are recorded and measured in the statement of financial position at fair value. Gains and losses arising from changes in fair value are recognised in profit or loss. Interest or income is recognised in the profit or loss when the contract comes to an end or when the right to payment has been established.

FINANCIAL LIABILITIES

Initial recognition and measurement

The Group initially recognises financial liabilities on the date that they are originated or on the trade date at which the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are classified, at initial recognition, as financial liabilities measured at fair value through profit or loss, or financial liabilities measured at amortised cost.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, customer deposits, cash collateral, financial liabilities at fair value through profit or loss and trade and other payables.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

The Group may designate financial liabilities at fair value through profit or loss when either:

- the liabilities are managed, evaluated and reported internally on a fair value basis; or
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings including trade and other payables, customer deposits and cash collateral are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included as finance costs in profit or loss.

Financial liabilities at amortised cost includes borrowings, customer deposits, cash collateral and trade and other payables.

FINANCIAL LIABILITIES (continued)

Borrowings and deposits from customers

Borrowings and customer deposits are the Group's sources of funding. These are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

Trade and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30 to 90 day terms, are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Cash collateral

Cash collateral consist of cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer. The cash collateral is set off against a loan balance only when the loan balance is deemed irrecoverable from the customer.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques.

Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like interest rate swaps. For these financial instruments, inputs into models are market observable.

When entering into a transaction, the financial instrument is recognised initially at fair value. The best evidence of fair value of a financial instrument at recognition is normally the transaction price, the fair value of the consideration given or received. The value obtained from the valuation model may differ from the transaction price. This initial difference, usually an increase in fair value indicated by valuation techniques, is recognised in income depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments measured at fair value.

Identification and measurement of impairment for financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group.

In assessing impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against the financial asset. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

INSURANCE ARRANGEMENTS

The Group has credit and disability cover in place in most markets. Under this arrangement premiums are collected from customers and paid on to the insurer with the Group earning a fee or profit share. In addition, comprehensive insurance is in place in Namibia and Mozambique and profit from the underlying insurance arrangements is shared between the underwriter and the Group.

Cell captive accounting

A cell captive structure represents an agreement between an insurance entity and the Group to facilitate the writing of insurance business. The Group has entered into agreement with insurance providers under which the insurance provider set up an insurance cell within its legal entity, for example a corporate entity subscribes for a separate class of share. The arrangement provides that all claims arising from insurance contracts written by cell are paid out of the cell's assets, with any profit after deduction of the insurers' fees, allocation taxes and other costs payable to the Group. The net profit share is recognised as income in profit or loss.

DERIVATIVES HELD FOR RISK MANAGEMENT PURPOSES

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position and are included in borrowings. Changes in its fair value are recognised immediately in profit or loss.

IMPAIRMENT FOR NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying value for its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less cost to sell. An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses in respect of goodwill are not reversed. For assets excluding goodwill, if there is an indication of impairment, the Group estimates the assets recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the assets is considered impaired and is written down to its recoverable amount.

GOING CONCERN

The Group management has assessed the ability of individual entities within the group to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

NON-CASH COLLATERAL

Non-cash collateral relates to MSE loans secured with non-financial assets such as motor vehicles, land and property. The determined fair value of these assets impacts computation of ECL.

CONTINGENT LIABILITIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the statement of financial position but are disclosed unless the outflow of economic resources is remote.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Interest Rate Benchmark Reform – Phase 2: *Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

Refer to Note 1.3.3 for additional disclosure of information related to the IBOR Reform.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group is still in the process of assessing the impact of this Standard on its operations.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – *Amendments to IFRS 3*

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are however not expected to have a material impact on the Group.

STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

Definition of Accounting Estimates – *Amendments to IAS 8*

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies – *Amendments to IAS 1 and IFRS Practice Statement 2*

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1 FINANCIAL RISK MANAGEMENT

1.1 Introduction and overview

The Group continued to recover from the Covid-19 pandemic effects in 2021. The COVID-19 pandemic remained the top risk for the Group until end of the third quarter when a general decline in related case counts was experienced due to increased vaccinations. The outlook is considered to be promising subject to robust containment measures taken across the globe and by the Group in the effective management of both business and non-business risks.

During the first quarter of the year, the Group's enhanced Enterprise Risk Management (ERM) Framework together with the supporting policies were approved by the Board. The roll out and implementation of the framework and policies across the Group stood at around 76% as at Year End with all the subsidiaries being at various levels of implementation.

With the enhanced ERM Framework, the Board is ultimately responsible for the effective management of risk across all the Group and is supported by the following Board Committees in achieving its mandate:

- Group Risk, Social and Ethics Committee
- Group Audit Committee
- Group Governance and Nominations Committee
- Group Remuneration Committee
- Group Strategy and Investment Committee

The Group Executive Committee through its OneExec meetings is fully involved in the activities of the Group and its subsidiaries and ensures that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated. OneExec was supported by the following management committees during the year:

- Group Technology Committee
- Group Management Risk Committee
- Group Digital Transformation Committee
- Group Balance Sheet Management Committee
- Group Corona Crisis Committee

In addition to the above committees, the Group Tax Committee was established during the last quarter of the year in line with Agile principles and will be responsible for the oversight of Tax Risk Management and Governance.

Top primary risks for the Group in 2021 are discussed in detail in the following sections below:

1.2 Strategic risk

Strategic risk refers to the current and/or prospective impact on the Group's earnings, capital or business viability arising from adverse business decisions and implementation of strategies which are inconsistent with internal factors and the external environment.

Enterprise Risk Management plays a critical role in assisting Management and the Board in aligning the overall Business Strategy to the vision and purpose.

The Board is responsible for approving the Group Transformational Strategy in line with the approved Group Risk Appetite Statement. In addition to understanding the possibility that strategy might not align to the vision and purpose, Management and the Board further consider the implications from the strategy chosen through enterprise risk management.

As part of the Group's Business Transformation Agenda, all primary risks have risk owner frameworks that are supported by policies per risk type. Below the policies are standards or guidelines and procedures to complete the hierarchy of the documents under each primary risk.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk

In line with the enhanced Group's ERM framework, financial risk includes credit risk, liquidity risk, interest rate risk and foreign currency rate risk.

1.3.1 CREDIT RISK

Credit risk is the risk that a borrower or counterparty will fail to meet obligations in accordance with agreed terms. The Group is exposed to credit risk from a number of financial instruments such as loans and inter-bank transactions from its subsidiaries.

The Group's Asset Quality remains stable with a marginal increase in non-performing loans (NPLs) to 5.9% for the period under review (FY2020: 5.3%). The increase in NPLs was driven by ongoing economic challenges experienced by the MSEs in the Group's East and West Africa portfolios. Recoveries within the MSE sectors remains gradual.

Letshego's Stage 3 coverage ratio ended the year at 73% (FY2020: 98%). Coverage was driven largely by a once-off reversal of P75 million provisions in East Africa. NPL levels in larger portfolio markets (Botswana and Namibia) stabilised, and led to an improved Loss Given Default ("LGD"). This, coupled with tight portfolio risk management processes, provides an opportunity for the Group to strengthen coverage levels further in 2022, with minimal impact on the Group's P&L.

Deduction at Source (DAS) loans remains the largest product portfolio, comprising 86% of the Group's overall lending portfolio (FY2020: 89%). Letshego's top profit-generating markets, Botswana, Namibia and Mozambique, performed well over the full year period, with NPL for the three markets' Deduction at Source portfolios aggregating at 4%.

Key metrics	YoY Trend	**2021**	2020
Growth in gross advances to customers (%)	↑	16%	9%
Loan loss rate (%)	↓	(0.1%)	0.3%
Non-performing loans as a percentage (%) of gross advances	↓	5.9%	5.3%
Stage 3 coverage ratio (%)	↓	73%	98%

	2021 P'000	**2020 P'000**
Loan loss rate % – cost of risk		
Impairment (reversal)/expense	(17 196)	25 771
Average gross advances to customers	11 589 411	10 286 205
	(0.1%)	**0.3%**
***Non performing loans %**		
Non performing loans	729 146	560 474
Gross advances to customers	12 308 566	10 621 549
	5.9%	**5.3%**

* Note that the above excludes the aggregated collateral associated with Ghana informal loans.

Impairment

Credit portfolio indicators remain robust, indicative of Letshego's continuous enhancement of its credit risk management framework, strengthened credit risk governance and improvements in risk infrastructure. Expected Credit Losses for the year were low, aligned with the Group's credit risk profile with the majority of its aggregated portfolio in Deduction at Source (FY2021 86% Deduction at Source).

The annualised Loan Loss Rate (LLR) for FY 2021 was (0.1%), improving on the prior year (FY 2020: 0.3%) that included a once-off write back of P105.3 million from Ghana Mobile Loans. The full year LLR of (0.1%) includes a write-back of P75million from a single party exposure in East Africa. Underlying LLR, that excludes once-offs in the year, is 0.5% compared to 1.8% underlying LLR (excluding once-offs) for 2020.

- **Release of Single Exposure provisions of P75 million**
  The Group received solid assurance of recovery of the P75million loss taken in 2018 on the back of a high-ticket size exposure in East Africa. The reversal of the 100% provision was made and this assurance of loan recovery led to overall Stage 3 NPL coverages moving from 98% in 2020 to 73% for full year 2021.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

- **Resilience against the COVID-19 pandemic**
  Letshego's most vulnerable product segment in pandemic conditions remains its marginal portfolio of Micro and Small Entrepreneurs (MSE), comprising 8% of the Group's total portfolio. Recovery of this segment remained gradual through the year following intermittent pandemic containment measures that prevailed across select countries in 2021. The Group's Deduction at Source portfolio remained resilient with public sector jobs largely unaffected despite pandemic conditions.

  In an effort to mitigate risks associated with unpredictable pandemic environments, the Group is prudent in curtailing new loan growth in higher risk segments and geographies, while prioritising portfolio remediation and collection efforts.

Write-off policy
The Group subsidiaries write off loan balances, and any related allowances for impairment losses, when there is determination that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. All workable written off accounts are fully followed up for recovery through internal debt collection and third-party collection partners. The Group writes off an account when in Contractual delinquency 12 (CD12) i.e. 12 payments in arrears and the policy has not been changed with the implementation of IFRS 9 in the prior year. Write off point analysis was done in view of write off being a derecognition under IFRS 9 and this resulted in no change in policy.

Approach to managing credit risk
The Group has adopted a holistic approach to managing credit risk in line with its Group Enterprise Risk Management (ERM) Framework and ensures that credit risk management remains a key component of its integrated approach to the management of its financial risks. In view of the above, the Group Credit Risk Management Framework is implemented throughout the Group via Credit Risk Policies, Credit Risk Standards, Credit Risk Process and systems designed and established according to the Group's nature of business and level of sophistication of its operations. The credit risk management systems enable the Group and its subsidiaries to clearly identify, assess, monitor and control credit risk and ensure that adequate capital resources are available to cover the risks underwritten.

Credit risk mitigation
The Group offers credit insurance to all its clients, which covers the repayment of the outstanding capital balances on the loan to Group in the event of death or permanent disability of the customer. In addition, comprehensive insurance cover is in place in certain markets covering such risks as loss of employment, employer default, absconding and even temporary disability. Further to this, for part of the customer advances portfolio that is not extended through deduction from source, the Group applies credit scoring and customer education in advance of the extension of credit to customers and conducts regular reviews of the credit portfolio.

- Group writes off loans which have remained in the loss category for four consecutive quarters.
- Group will restructure loans (modify contractually agreed terms) to increase the chances of full repayment of credit exposure in certain instances.
- Restructuring is expected to minimise future risk of default. Examples are where clients are in financial difficulty, either caused by external or internal factors such as disability/death/theft/accidents/changes in Government policies.
- Restructured loans are treated as non-performing, for provision purposes only, until 6 consecutive payments have been received.
- No loan may be restructured more than twice (system controlled). Loans restructured a second time are classified as "loss" and provisions raised accordingly.
- There are no additional charges applied to restructured loans.
- Customers cannot take a 'top up' loan if they are in arrears.

The Group does rephase (re-age) accounts where instalments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Rephasement involves altering the end date of the loan but not the number of repayments or the loan amount.

The Group adheres to rules/legislation around affordability. In most countries in which the Group operates an independent 'central registry' or 'gatekeeper' ensures that affordability rules are adhered to in addition to internal controls in place.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Credit risk stress testing

The Group recognises possible events or future changes that could have a negative impact on the credit portfolios and affect the Group's ability to generate more business. Stress testing is an integral part of our overall risk management and governance culture across the Group. This feeds into the decision making process at management and Board level.

The overlay approach followed by the Group is outlined below:

General steps considered by the Group in considering impairment

The following illustrates the steps that the Group follows in calculating impairment of financial assets:

1. Establish the appropriate definition of default
2. Determine the level of assessment (individual vs. collective assessment)
3. Determine indicators/measures of significant increase in credit risk
4. Define the thresholds for significant increase in credit risk
5. Determine whether the "low credit risk assumption" will be applied to certain loans
6. Identify relevant forward-looking information and macro-economic factors
7. Identify appropriate sources of relevant forward-looking information and macro-economic factors
8. Incorporate forward-looking information and multiple scenarios in staging assessments of loans
9. Stage loans based on the forward-looking assessment of significant increase in credit risk
10. Determine the method to be used for measuring Expected Credit Losses
11. Determine the estimation period – the expected lifetime of the financial instrument
12. Establish the respective Probability of Default for loans in Stage 1 and Stage 2
13. Calculate the Exposure at Default
14. Identify relevant collateral and credit enhancements
15. Develop calculations for Loss Given Default (incorporating collateral and credit enhancements)
16. Consider the time value of money and calculate Expected Credit Losses
17. Identify modifications that occurred during the period and determine if each modification results in derecognition or no derecognition
18. Calculate the modification gain or loss and include the modified loan (or new loan)
19. Establish and document the appropriate processes, internal controls and governance for estimating Expected Credit Losses (ECL)

The impairment requirements are complex and require management judgements, estimates and assumptions. Key concepts and management judgements taken into consideration are as below:

Determining a significant increase in credit risk since initial recognition (SICR)

IFRS 9 requires the recognition of 12 month expected credit losses (the portion of lifetime expected credit losses from default events that are expected within 12 months of the reporting date) if credit risk has not significantly increased since initial recognition (Stage 1), and lifetime expected credit losses for financial instruments for which the credit risk has increased significantly since initial recognition (Stage 2) or which are credit impaired (Stage 3). Group will assess when a significant increase in credit risk has occurred based on quantitative and qualitative assessments.

Indicators of SICR include any of the following:

- 30 days past due rebuttable presumption;
- historical delinquency behaviour of accounts that are up to date and accounts in 1-30 days category
- significant adverse changes in business, financial and/or economic conditions in which the client operates, including for example retrenchment of the customer, closure of the sponsoring employer, etc.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

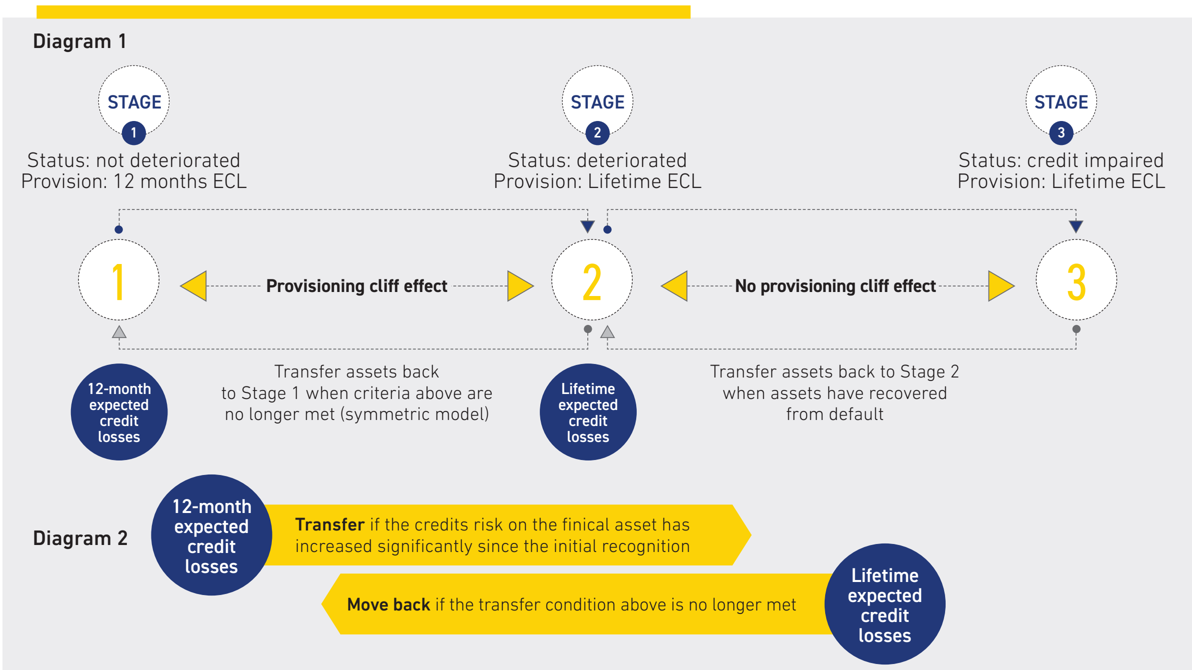
Credit risk stress testing (continued)

Two types of PDs are considered under IFRS 9:

- Twelve-month PDs – This is the estimated probability of a default occurring within the next 12 months (or over the remaining life of the financial instrument if that is less than 12 months). This is used to calculate 12-month ECL, which are applicable to Stage 1 financial instruments.
- Lifetime PDs – This is the estimated probability of a default occurring over the remaining life of the financial instrument which is applicable to Stage 2.

Exposures will move back to Stage 1 once they no longer meet the criteria for a significant increase in credit risk and when any cure criteria used for credit risk management are met. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

The IFRS 9 requirements for the staging of loans is summarized in the two diagrams below



- **Stage 1:** relates to a 12-month ECL allowance on financial assets that are neither credit impaired on origination nor for which there has been a SICR.
- **Stage 2:** relates to a lifetime ECL allowance on financial assets that are assessed to display a SICR since origination.
- **Stage 3:** relates to a lifetime ECL allowance on financial assets that are assessed to be credit impaired.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Credit risk stress testing (continued)

Forward-looking information

The IFRS 9 measure of ECL is an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes and using reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. IFRS 9 requires the use of forward-looking factors, or predictive indicators, in the calculation of ECL, including the staging assessment.

Forward-looking information inherently involves management judgment in determining key inputs such as macroeconomic factors that affect PD, LGD and Exposure at Default (EAD) risk factors of a loan, rating category or portfolio, as the case may be, as well as the forecasted values of those risk factors in one, two or more years forward (depending on the expected life of the portfolio).

Source of the forward-looking information will vary from country to country and all macroeconomic factors used will be approved at high level by the Credit Committee. This is also based on the correlation exercises done.

In its ECL models, the Group relies on a broad range of forward-looking information as economic inputs, such as:

- Unemployment rates
- Consumer Price Index
- Gross Domestic Product (GDP)

The working group approved the three core factors as the starting point for all subsidiary regression calculations. Management overlays on macroeconomic variables will only apply in cases where the above three variables have no statistical significance and an alternative variable with a good correlation will then be applied. The forward-looking economic expectations are updated on an annual basis or more regularly when deemed appropriate.

Definition of default

Default is not defined under IFRS 9. The Group is responsible for defining this for themselves and it should be based upon its own definition used in the Group's internal risk management. Careful consideration of how default is defined is important as the definition impacts the calculation of PDs, LGDs and EADs, hence impacting the ECL results.

The simplest definition is that of failure to meet a scheduled payment of principal or interest, however, that definition has modifications depending upon the loan product. The definition of default has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument and has to consider qualitative indicators, e.g. breaches of covenants, when appropriate. Inability to pay may also be considered in making the qualitative assessment of default.

Indications of inability to pay include:

- the credit obligation is placed on non-accrued status;
- the Group makes a specific provision or charge-off due to a determination that the obligor's credit quality has declined (subsequent to taking on the exposure);
- the Group sells the credit obligation or receivable at a material credit related economic loss;
- the Group agrees to a distressed restructuring resulting in a material credit related diminished asset stemming from such actions as material forgiveness or postponement of payments or repayments of amount owing;
- the Group has filed for the obligor's bankruptcy in connection with the credit obligations; and
- the obligor has sought or been placed in bankruptcy resulting in the delay or avoidance of the credit obligation's repayment.

There is a rebuttable presumption within IFRS 9 that default does occur once a loan is more than 90 days past due. The Group has adopted this presumption.

Discounting

Expected credit losses are discounted at the effective interest rate (EIR) at initial recognition or an approximation thereof and consistent with income recognition. For loan commitments the EIR is that rate that is expected to apply when the loan is drawn down and a financial asset is recognised.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Credit risk stress testing (continued)

Modelling techniques

Expected credit losses (ECL) are calculated by multiplying three main components, being the PD, LGD and the EAD, discounted at the original effective interest rate.

For the IFRS 9 impairment assessment, Group Impairment Models are used to determine the PD, LGD and EAD. For Stage 2 and 3, Group applies lifetime PDs but uses 12 month PDs for Stage 1. The ECL drivers of PD, EAD and LGD are modelled at an account level which considers vintage, among other credit factors. Also, the assessment of significant increase in credit risk is based on the initial lifetime PD curve, which accounts for the different credit risk underwritten over time.

Renegotiated loans treatment

Both performing and non-performing restructured assets are classified as stage 3 except where it is established that the concession granted has not resulted in diminished financial obligation and that no other regulatory definitions of default criteria has been triggered, in which case the asset is classified as Stage 2. The minimum probationary period is 6 months to move to cure state (Stage 1).

Maximum exposure to credit risk

(a) Advances to customers 31 December 2021	**Gross advances P'000**	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Net advances P'000**	**Security held P'000**
Southern Africa	8 894 071	(64 025)	(12 020)	(145 234)	8 672 792	–
East and West Africa	3 545 229	(66 788)	(98 173)	(177 465)	3 202 803	(21 522)
	12 439 300	**(130 813)**	**(110 193)**	**(322 699)**	**11 875 595**	**(21 522)**

31 December 2020	Gross advances P'000	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Net advances P'000	Security held P'000
Southern Africa	7 862 559	(63 468)	(18 335)	(138 001)	7 642 755	–
East and West Africa	2 876 962	(150 153)	(55 100)	(152 930)	2 518 779	(18 838)
	10 739 521	**(213 621)**	**(73 435)**	**(290 931)**	**10 161 534**	**(18 838)**

Security held relates to cash received as security for advances to customers and is held until the customer loan is fully settled, at which point the balance is refunded to the customer (Note 15).

(b) Other financial assets	**31 December 2021 P'000**	31 December 2020 P'000
Cash and cash equivalents	1 413 500	1 043 864
Investment in securities	859 496	–
Other receivable accounts	413 411	263 202
	2 686 407	**1 307 066**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Maximum exposure to credit risk (continued)

Below is a summary of the expected credit losses as at 31 December 2021:

	IFRS 9 ECL Provisions at 31 December 2021				IFRS 9 ECL Provisions at 31 December 2020			
Operating Segments 31 December 2020 P'000	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2021	Stage 1: 12-month ECL allowance	Stage 2: Lifetime ECL allowance – not credit-impaired	Stage 3: Lifetime ECL allowance – credit-impaired	Total ECL on 31 December 2020
Financial assets								
Botswana	29 302	3 420	73 873	**106 595**	21 799	4 010	85 075	**110 884**
Namibia	9 483	618	24 362	**34 463**	16 752	9 690	16 429	**42 871**
Mozambique	9 788	1 303	8 259	**19 350**	13 423	1 614	9 090	**24 127**
Lesotho	11 520	793	9 367	**21 680**	7 789	769	10 756	**19 314**
Eswatini	3 932	5 886	29 373	**39 191**	3 704	2 252	16 653	**22 609**
Kenya	9 338	3 118	36 600	**49 056**	88 182	5 604	43 778	**137 564**
Rwanda	2 493	368	202	**3 063**	1 144	727	766	**2 637**
Uganda	8 569	2 918	19 195	**30 682**	13 028	3 522	22 559	**39 109**
Tanzania	19 141	1 062	29 429	**49 632**	15 966	3 304	25 221	**44 491**
Nigeria	2 169	8 146	20 469	**30 784**	2 631	2 388	15 091	**20 110**
Ghana	25 078	82 561	71 570	**179 209**	29 203	39 555	45 513	**114 271**
Total	**130 813**	**110 193**	**322 699**	**563 705**	**213 621**	**73 435**	**290 931**	**577 987**

Expected Credit Losses remained low as business credit quality remained resilient during Covid-19 and Loan loss rates remained within Group Appetite. Full year impairment (IS) was a write back of P17.2 million compared to a charge of P25.8 million in 2020. This was driven by improvement in asset quality in highly concentrated markets like Botswana and a release of P75 million for one Single Exposure Limit in Kenya (refer to Note 5) that had been absorbed at 100% provisions loss in 2018. This recovery has led to overall stage 3/NPL coverage moving from 98% in 2020 to 73% for full year 2021.

The annualized loan loss rate (LLR) for FY 2021 is (0.1%), normalized LLR excluding the indicated Kenya single exposure recovery is slightly higher at 0.5% compared to 0.3% 2020 normalised position. Good progress has been attained in enhancing credit processes and frameworks within individual subsidiaries and therefore leading to a more balanced control environment.

Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities and strengthened credit risk governance and improving risk infrastructure. Group asset quality has deteriorated with non-performing loans (NPLs) rising to 5.9% (December 2021) compared to 5.3% (December 2020). While there is a rise in NPLs across the Group, the increase is more pronounced in East and West Africa which have higher risk products in the MSE portfolios. Our NPL impairment coverage ratio was 75% as NPL levels stabilized and improved in high exposure markets like Botswana and Namibia leading to an improved LGD outcome. In addition, this was further accelerated by tight management of our impairment expense and this provided an opportunity to strengthen coverage levels further into 2022 with minimal impact on P&L.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Maximum exposure to credit risk (continued)

For the reporting year December 2021, the Group Impairment coverage remained stable at 4.6% compared to 5.4% in Dec 2020. Major shift of overall impairment coverage is mainly driven by improvement in asset quality, writeback on a Single exposure asset in East Africa and inclusion of collateral for MSE secured loans in the ECL models.

Measure	FY2021	FY2020	FY2019	FY2018	FY 2017
Gross Loan Book Balance in P'm	12 439	10 740	9 833	9 542	8 171
Portfolio at risk – 30 days	9.2%	8.3%	10.0%	10.4%	9.9%
Portfolio at risk – 90 days (NPL)	5.9%	5.3%	6.9%	7.1%	6.8%
Post Write off Recoveries in the year in P'm	207	199	184	147	140
Loan loss rate – actual	(0.1%)	0.3%	1.7%	4.1%	3.1%
Loan loss rate – excl. once-off items	0.6%	1.8%	1.7%	2.0%	2.5%
Non-performing loan coverage ratio	75%	98%	112%	115%	70%

Overall Expected Credit Losses in December 2021 closed at P564 million, which is a decrease from P578 million in December 2020. This is in line with improvement in asset quality driven by material once off write back on single high exposure asset in East Africa (P75 million, refer to Note 5). Letshego had taken a 100% provision in 2018 on this asset despite it being current and cash covered.

As at 31 December 2021, the Group did not pass any additional provisions as management actions were adequate to address any future Covid-19 induced losses. The impact of the Covid-19 pandemic is a significant matter for current year reporting. The outbreak affected most businesses across the continent and the world at large. Letshego's operations were also affected as a result of the lockdowns introduced by governments to protect their citizens from the pandemic, although the impact was curbed by the nature of Letshego's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. During 2021, no governments in our countries of operation retrenched employees and a 98% collection rate was maintained for the DAS book.

During the year 2021, Covid-19 resulted in the slowdown of most economies in Africa as the impact of the third wave and delays in vaccinations continued to impact the continent. Letshego's Medium-to-Small Enterprises (MSE) segment in East and West Africa suffered the greatest impact. As part of mitigation measures to sustain the portfolio, the Group introduced Covid -19 related collection and recovery strategies especially in the MSE portfolios in Uganda, Kenya and Tanzania which were done on a case-by-case basis.

Uganda is the only portfolio that had accounts in repayment holiday as at December 2021 amounting to P9.1 million. These are mainly from the Education sector and MSE.

Below is a summary of the accounts offered repayment holiday at 31 December 2021:

	As at 31 December 2021		As at 31 December 2020	
In BWP'000	**No of Accounts**	**Balance**	No of Accounts	Balance
MSE Total	159	9 117	1	274
DAS Total	–	–	–	–
Grand Total	**159**	**9 117**	**1**	**274**

Based on the sensitivity analysis done at the end of 31 December 2021, a 5% increase in LGD and PD will result in additional expected credit losses of P5million – P10 million. Alternatively, a 5% decrease in LGD and PD will result in a release of expected credit losses of P5 million – P10 million.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Maximum exposure to credit risk (continued)

The loss allowance recognised in the period is impacted by a number of factors, as described below:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" or "step down" between 12-months and lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;
- Impact on measurement of ECL due to changes in PDs, EADs, and LGDs in the period arising from regular refreshing of inputs into models;
- Impact on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets and were written off during the period.

The following table depicts changes in the gross carrying amount of the consumer and microfinance portfolio to explain their significance in the loss allowance for the same portfolio as discussed above:

	ECL Staging				
31 December 2021	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Purchased Credit Impaired P'000**	**Total P'000**
Loss allowance:					
At 1 January	**213 621**	**73 435**	**290 931**	**–**	**577 987**
Transfers:					–
Transfers from Stage 1 to Stage 2	(12 257)	12 257	–	–	–
Transfers from Stage 1 to Stage 3	(51 758)	–	51 758	–	–
Transfers from Stage 2 to Stage 3	–	(34 666)	34 666	–	–
Transfers from Stage 3 to Stage 2	–	(1 677)	1 677	–	–
Transfers from Stage 2 to Stage 1	(1 614)	1 614	–	–	–
New assets originated or purchased	161 825	–	–	–	161 825
Payments or assets derecognised	(179 004)	59 230	119 069	–	(704)
Write-offs	–	–	(175 402)	–	(175 402)
	130 813	**110 193**	**322 699**	**–**	**563 705**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Maximum exposure to credit risk (continued)

31 December 2020	ECL Staging Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL P'000	Purchased Credit Impaired P'000	Total P'000
Loss allowance:					
At 1 January	**148 664**	**92 123**	**520 617**	**–**	**761 404**
Transfers:					
Transfers from Stage 1 to Stage 2	(9 524)	9 524	–	–	–
Transfers from Stage 1 to Stage 3	(55 508)	–	55 508	–	–
Transfers from Stage 2 to Stage 3	–	(37 029)	37 029	–	–
Transfers from Stage 3 to Stage 2	–	(2 123)	2 123	–	–
Transfers from Stage 2 to Stage 1	(1 947)	1 947	–	–	–
New assets originated or purchased	142 823	–	–	–	142 823
Payments or assets derecognised	(10 887)	8 993	83 471	–	81 577
Write-offs	–	–	(407 817)	–	(407 817)
	213 621	**73 435**	**290 931**	**–**	**577 987**

Maximum exposure to credit risk

	At 31 December 2021 (IFRS 9) P'000	At 31 December 2020 (IFRS 9) P'000
Gross advances to customers	**12 439 300**	**10 739 521**
Of which Stage 1	**10 993 504**	9 652 640
Of which Stage 2	**677 666**	496 482
Of which Stage 3	**768 130**	590 399
Expected credit loss provisions	**(563 705)**	**(577 987)**
Of which Stage 1	**(130 813)**	(213 620)
Of which Stage 2	**(110 193)**	(73 435)
Of which Stage 3	**(322 699)**	(290 931)
Net advances to customers	**11 875 595**	**10 161 534**
Of which Stage 1	**10 862 691**	9 439 020
Of which Stage 2	**567 473**	423 046
Of which Stage 3	**445 431**	299 468
Impairment (ECL) Coverage Ratio	**5%**	5%
Stage 3 Coverage Ratio	**73%**	98%

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Expected credit losses: Stress Testing and Sensitivity Analysis

As a predominately Government Deduction at Source (DAS) retail business, Letshego was able to remain resilient to the worst effects of Covid-19. This was mainly due to the fact that governments had chosen to take a countercyclical approach and not retrench, so as not to worsen any downward economic trends.

Model re-calibrations are performed at two points, in April and October every year. In addition, Macroeconomic factors are updated to align to Fitch Solutions revised forecasts at every re-calibration period.

Loss given default (LGD)

LGDs between April 2021 and October 2021 have decreased as countries experience high recoveries as economics start to recover. We were therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake. The Group reduced outcome period for accounts in NPL to be used for LGD by 12 months. This gives most recent defaults more time to collect. in addition, two countries (Kenya and Uganda) have implemented a collateralized LGD for collateralized accounts under the MSE segment.

Probability of default (PD)

Since PD's are modelled using a Point-In-Time (PIT) approach, each account is assigned an individual PD. This creates a distribution of PDs for each portfolio. When creating shocks for a portfolio of PIT PD's, a standard margin of adding and subtracting static numbers would not be suitable for creating scenarios. Therefore, an approach using percentiles is used to create a cap and a floor for the distributions. A lower percentile is used as the cap for upside, and a higher percentile is used as a floor for downside.

Macroeconomic analysis

Country	UER	GDP	Inflation	CPI
Botswana				
Eswatini				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Tanzania				
Uganda				
Macroeconomic indicators: 2021 – 2021				

Inflation

With the exception of Ghana and Rwanda, all subsidiaries' headline Inflation rates have increased year on year. However, the consumer price index (CPI) has increased across all the subsidiaries.

Gross domestic product (GDP)

Gross Domestic Product (GDP) has turned the curve for all subsidiaries, showing a forecasted recovery in economies across sub-Saharan countries.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Unemployment rate (UER)

Unemployment rates have reduced for all countries save for Mozambique and Nigeria which increased and remain flat respectively.

Country	UER	GDP	Inflation	CPI
Botswana				
Eswatini				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Tanzania				
Uganda				
Macroeconomic indicators: over the past 3 years				

The Government Deduction at Source (DAS) portfolio is the largest portfolio and constitutes more than 88% of the total loan portfolio. Against downturn macroeconomic conditions due to pressure from the Covid-19 pandemic and the third wave, Governments were reluctant to retrench enabling clients to continue to honor their financial obligations.

Influence of economic variables on estimate of ECL

A behavioural scorecard is used to incorporate forward looking macroeconomic variables into lifetime PDs. A weighted score is calculated based on the outlook of economic conditions of each country and is updated when there is a change. These weighted scores are used to convert 12-month PDs into Lifetime PDs for accounts in Stage 2 (Stage 3 PD is standard at 100%).

A macro-induced regression analysis is used to model a Macro-Induced (MI) LGD for accounts in Stage 2 and 3. This involves identifying how economic conditions influence recovery rates and applying this to forecasted economic outlooks.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Expected credit losses: Forward looking

Macroeconomic forward-looking factors were all stressed to downside heavy for Consumer Price Index (CPI), Inflation, Gross Domestic Product (GDP) and unemployment rate in line with Fitch Solutions' revised outlook for the period ending 31 December 2021.

The table below summarises the ECL impact of the sensitivity analysis after application of forward-looking factors for the period ending 31 December 2021.

	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
BWP'000	**ECL**	**ECL**	**Impact**	**ECL**	**Impact**	**ECL**	**Impact**
Consumer	256 809	28 597	(228 212)	221 239	(35 570)	287 777	30 968
MSE	148 276	4 657	(143 619)	54 302	(93 974)	63 967	(84 309)
Informal	168 926	21 847	(147 079)	493 939	325 013	232 586	63 660
Total	**574 011**	**55 101**	**(518 910)**	**769 480**	**195 469**	**584 330**	**10 319**

* The probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used are 50%, 20% and 30% respectively for Deduction at source portfolio that holds a low credit risk and 30%, 20% and 50% respectively for MSE and Informal portfolio.

The total weighted impact of P35.9m is distributed to operating subsidiaries as follows:

Country	Base ECL BWP'000	Probability Weighting BWP'000	Impact BWP'000
Botswana	106 595	103 649	(2 946)
Eswatini*	39 190	41 391	2 201
Ghana	189 515	181 689	(7 826)
Kenya	49 056	49 890	834
Lesotho	21 680	24 335	2 655
Mozambique	19 350	26 454	7 104
Namibia	34 463	35 958	1 495
Nigeria	30 784	32 820	2 036
Rwanda	3 063	3 519	456
Tanzania	49 633	52 711	3 078
Uganda	30 682	31 914	1 232
Group	**574 011**	**584 330**	**10 319**

The Group, therefore estimates an additional ECL impact of P10.3 million as at December 2021 should the Group not have any mitigation in place. Full ECL disclosures can be read in conjunction with 31 December 2020 financial statements and only where there has been significant changes disclosure were noted above.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Credit quality

Credit portfolio indicators remain robust, indicative of Letshego's continuous enhancement of its credit risk management framework, strengthened credit risk governance and improvements in risk infrastructure. Expected Credit Losses for the year were low, aligned with the Group's credit risk profile with the majority of its aggregated portfolio in Deduction at Source (FY2021 86% Deduction at Source).

The annualised Loan Loss Rate (LLR) for FY 2021 was (0.1%), improving on the prior year (FY 2020: 0.3%) that included a once-off write back of P105.3 million from Ghana Mobile Loans. The full year LLR of (0.1%), includes a write-back of P75 million from a single party exposure in East Africa (refer to Note 5). Underlying LLR, that excludes once-offs in the year, is 0.5% compared to 1.8% underlying LLR (excluding once-offs) for 2020.

The table below presents an analysis of the Group's gross advances based on the customer segments to which the Group is exposed:

Formal: these are government and non-government payroll deduction at source.

Micro finance: micro and small entrepreneurs mainly associated with health, housing, agriculture and education segments.

Informal: short-term loans via mobile platforms.

Analysis of exposure by segment as at 31 December 2021	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**8 824 726**	**58 109**	**11 237**	**8 894 072**
Botswana	2 990 321	35 790	–	3 026 111
Namibia	3 198 250	–	–	3 198 250
Mozambique	1 789 702	–	–	1 789 702
Lesotho	352 248	–	–	352 248
Eswatini	494 205	22 319	11 237	527 761
East and West Africa	**1 911 007**	**919 042**	**715 179**	**3 545 228**
Kenya	137 213	529 399	–	666 612
Rwanda	355	59 293	–	59 648
Uganda	353 551	125 236	–	478 787
Tanzania	334 558	133 060	–	467 618
Nigeria	105 963	68 296	–	174 259
Ghana	979 367	3 758	715 179	1 698 304
Gross advances	**10 735 733**	**977 151**	**726 416**	**12 439 300**
Impairment provision	(130 813)	(110 193)	(322 699)	(563 705)
Net advances	**10 604 921**	**866 958**	**403 717**	**11 875 595**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Credit quality (continued)

Analysis of exposure by segment as at 31 December 2020	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**7 800 352**	**56 211**	**5 996**	**7 862 559**
Botswana	2 908 735	28 395	–	2 937 130
Namibia	2 714 213	–	–	2 714 213
Mozambique	1 268 176	–	–	1 268 176
Lesotho	428 787	–	–	428 787
Eswatini	480 441	27 816	5 996	514 253
East and West Africa	**1 686 792**	**877 160**	**313 010**	**2 876 962**
Kenya	239 832	497 611	–	737 443
Rwanda	514	32 795	–	33 309
Uganda	289 459	128 840	–	418 299
Tanzania	305 379	153 933	–	459 312
Nigeria	92 310	59 253	–	151 563
Ghana	759 298	4 728	313 010	1 077 036
Gross advances	**9 487 144**	**933 371**	**319 006**	**10 739 521**
Impairment provision	(372 343)	(129 295)	(76 349)	(577 987)
Net advances	**9 114 801**	**804 076**	**242 657**	**10 161 534**

Expected Credit Loss (ECL) are categorised as either **'Performing – Stage 1', 'Underperforming – Stage 2',** or **'Non-Performing – Stage 3'**.

Stage 1: Performing

- when a significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognised for all Stage 1 financial assets.

Stage 2: Underperforming

- when a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised.

Stage 3: Non-Performing/Impaired

- when objective evidence exists that an asset is credit impaired, a lifetime ECL is recognised. The Group's definition of default is 90 days past due ("DPD") which is similar to the rebuttable presumption under IFRS 9.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Credit quality (continued)

The table below presents an analysis by geographic location of the credit quality based on staging:

	Expected Credit Loss			
31 December 2021	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Southern Africa				
Formal	45 313	8 060	110 323	163 695
Micro finance	17 075	3 225	33 555	53 855
Informal	1 638	735	1 355	3 728
	64 026	**12 020**	**145 233**	**221 279**
East and West Africa				
Formal	23 175	10 212	59 726	93 114
Micro finance	19 384	5 659	69 378	94 421
Informal	24 228	82 302	48 362	154 892
	66 787	**98 173**	**177 466**	**342 426**
Total Portfolio				
Formal	68 488	18 272	170 049	256 809
Micro finance	36 459	8 884	102 933	148 276
Informal	25 866	83 037	49 717	158 620
	130 813	**110 193**	**322 699**	**563 705**

	Expected Credit Loss			
31 December 2020	Stage 1 P'000	Stage 2 P'000	Stage 3 P'000	Total ECL P'000
Southern Africa				
Formal	62 107	17 821	122 852	202 780
Micro finance	471	228	14 402	15 101
Informal	890	286	747	1 923
	63 468	**18 335**	**138 001**	**219 804**
East and West Africa				
Formal	109 726	5 490	54 347	169 563
Micro finance	27 153	12 822	74 219	114 194
Informal	13 274	36 788	24 364	74 426
	150 153	**55 100**	**152 930**	**358 183**
Total Portfolio				
Formal	171 833	23 311	177 199	372 343
Micro finance	27 624	13 050	88 621	129 295
Informal	14 164	37 074	25 111	76 349
	213 621	**73 435**	**290 931**	**577 987**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Movement in gross exposures and impairment allowance

A reconciliation of changes in gross carrying amount and corresponding allowances for ECL by stage for Group is as follows:

Loans and advances at amortised cost

	Stage 1		Stage 2		Stage 3		Total	
31 December 2021	**Gross carrying amount P'000**	**ECL P'000**	**Gross carrying amount P'000**	**ECL P'000**	**Gross carrying amount P'000**	**ECL P'000**	**Gross carrying amount P'000**	**ECL P'000**
As at 1 January 2021	**9 652 640**	**213 621**	**496 482**	**73 435**	**590 399**	**290 931**	**10 739 520**	**577 987**
New assets originated or purchased	1 681 551	74 650	555 960	77 715	11 969 917	318 384	14 207 428	470 749
Payments and assets derecognised	(1 437 917)	(160 896)	(1 135 944)	11 668	(12 991 269)	(75 464)	(15 565 130)	(224 692)
Changes to PD and LGD rates	1 118 019	16 227	806 514	(16 180)	1 308 350	(84 984)	3 232 883	(84 937)
Write offs	(20 789)	(12 789)	(45 345)	(36 445)	(109 268)	(126 168)	(175 402)	(175 402)
As at 31 December 2021	**10 993 504**	**130 813**	**677 666**	**110 193**	**768 130**	**322 699**	**12 439 300**	**563 705**

	Stage 1		Stage 2		Stage 3		Total	
31 December 2020	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000	Gross carrying amount P'000	ECL P'000
As at 1 January 2020	**8 642 478**	**148 664**	**464 671**	**92 123**	**725 739**	**520 617**	**9 832 888**	**761 404**
New assets originated or purchased	1 476 454	121 905	407 316	51 791	9 200 307	287 040	11 084 077	460 736
Payments and assets derecognised	(1 366 212)	4 138	(925 789)	(24 641)	(10 055 785)	(154 932)	(12 347 786)	(175 435)
Changes to PD and LGD rates	981 656	26 500	590 880	(10 783)	1 005 623	(76 618)	2 578 159	(60 901)
Write offs	(81 736)	(87 586)	(40 596)	(35 055)	(285 485)	(285 176)	(407 817)	(407 817)
As at 31 December 2020	**9 652 640**	**213 621**	**496 482**	**73 435**	**590 399**	**290 931**	**10 739 521**	**577 987**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Loans and advances at amortised cost (continued)

The table below presents an analysis by geographic location of the credit quality of advances based on arrears:

31 December 2021	Up-to-date P'000	1-30 days past due P'000	31-60 days past due P'000	61-90 days past due P'000	91 or more days past due P'000	Total Gross advances P'000
Southern Africa						
Formal	8 063 375	221 594	112 129	65 241	362 387	8 824 726
Micro finance	12 916	19 216	14 732	445	10 801	58 110
Informal	7 856	1 244	547	235	1 355	11 237
	8 084 147	**242 054**	**127 408**	**65 921**	**374 543**	**8 894 073**
East and West Africa						
Formal	1 572 872	106 145	34 844	20 989	176 159	1 911 007
Micro finance	604 244	98 114	43 687	37 446	135 550	919 042
Informal	548 616	53 236	38 437	31 995	42 895	715 179
	2 725 732	**257 495**	**116 968**	**90 430**	**354 604**	**3 545 229**

31 December 2020	Up-to-date P'000	1-30 days past due P'000	31-60 days past due P'000	61-90 days past due P'000	91 or more days past due P'000	Total Gross advances P'000
Southern Africa						
Formal	7 306 536	218 892	102 985	49 087	122 852	7 800 352
Micro finance	8 213	16 804	15 669	1 123	14 402	56 211
Informal	4 353	592	188	116	747	5 996
	7 319 102	**236 288**	**118 842**	**50 326**	**138 001**	**7 862 559**
East and West Africa						
Formal	1 507 402	84 509	23 855	16 679	54 347	1 686 792
Micro finance	623 535	117 808	37 011	24 587	74 219	877 160
Informal	242 206	17 688	14 070	14 682	24 364	313 010
	2 373 143	**220 005**	**74 936**	**55 948**	**152 930**	**2 876 962**

LGD represents an estimate of the percentage of EAD that will not be recovered, should the obligor default occur and below is an analysis by segments. However, in Southern Africa, Letshego Namibia and Letshego Mozambique have credit insurance in place and this is included as part of recoveries in the LGD calculations. Informal loans used a rate of 100% for both Letshego Ghana and Letshego Eswatini informal loans.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Loans and advances at amortised cost (continued)

Segments	2021 LGD	2020 LGD
Southern Africa	65%	65%
East and West Africa	80%	88%

PD represent an estimate of the probability that balances in less than 90 days categories would fall into default (91 or more days past due).

Stage 1 – 12 month PD

31 December 2021	PD 0	PD 1
Southern Africa	1%	3%
East and West Africa	11%	20%

Stage 1 – 12 month PD

31 December 2020	PD 0	PD 1
Southern Africa	1%	4%
East and West Africa	8%	16%

Lifetime PD

31 December 2021	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	3%	26%	33%
East and West Africa	11%	20%	41%	43%

Lifetime PD

31 December 2020	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	4%	28%	36%
East and West Africa	8%	16%	38%	41%

PD 0 – up to date
PD 1 – 1 – 30 days past due
PD 2 – 31 – 60 days past due
PD 3 – 61 – 90 days past due

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.1 CREDIT RISK (continued)

Financial assets renegotiated

Restructuring

Restructuring activities include extended payment arrangements, modification and deferral of payments. Following restructuring a previously overdue/delinquent loan is reset to current/normal status and managed together with other similar accounts. There are Group restructuring policies in place and these are kept under continuous review.

31 December 2021	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	8 894 072	22 096	21 212	0.2
East and West Africa	3 545 228	89 124	81 994	2.5
	12 439 300	**111 220**	**103 206**	**0.9**

31 December 2020	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	7 862 559	10 067	8 506	0.1
East and West Africa	2 876 962	108 168	95 475	3.8
	10 739 521	**118 235**	**103 981**	**1.1**

Rephasing

The Group however does rephase (re-age) accounts where instalments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Rephasement involves altering the end date of the loan but not the number or amount of the instalments. Refer to the analysis below.

Rephased loans analysis

31 December 2021	Total gross advances P'000	Rephased loans P'000	Expected Credit Loss held on Rephased loans P'000	Rephased %
Southern Africa	8 894 072	523 168	156 950	5.9
East and West Africa	3 545 229	219 191	65 757	6.2
	12 439 300	**742 359**	**222 707**	**6.0**

31 December 2020	Total gross advances P'000	Rephased loans P'000	Expected Credit Loss held on Rephased loans P'000	Rephased %
Southern Africa	7 862 559	455 287	81 156	5.8
East and West Africa	2 876 962	119 111	22 949	4.1
	10 739 521	**574 398**	**104 105**	**5.3**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.2 LIQUIDITY RISK

Managing liquidity risk is an integral part of the Group's business operations. Liquidity risk arises when the Group is unable to generate sufficient cash flows to meet its obligations as they fall due or obligations are met in a way that is not sustainable. The Group liquidity could be affected by various factors, both internal and external. These include customer withdrawals, unexpected market disruptions that cause short-term and liquid assets become illiquid, failure by funders to roll over borrowed facilities or recalling existing loan facilities, credit events, natural disasters and adverse publicity among others.

The Group manages liquidity risk in line with relevant regulatory requirements and the set internal risk appetite. The Group has put in place adequate and sufficient liquidity risk mitigating controls which are frequently reviewed and monitored by an independent team.

The below measures are in place to manage liquidity risk.

- Adequate liquidity policies and procedures approved by the Board of Directors.
- Regular Cash flow budgeting and forecasting.
- Key liquidity ratios.
- Stress testing.
- Actual versus contractual cash flow analysis.
- Diversification of funding base.
- Matching loans and borrowings tenures.
- Adequate contingency liquidity.
- Adequate liquidity buffer.
- Structurally sound statement of financial position.
- Enhanced foreign currency management.

The Group's measures in place ensures, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring losses above the set risk appetite or risking adverse impact on the Group's reputation.

Overall, there is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures which ensure business sustainability and market confidence in the Group. The Group will continuously forecast and analyze liquidity risk using different time horizons, to ensure that the Group is able to meet its obligations optimally.

The Group's liquidity risk framework includes internally determined liquidity limits aimed at ensuring business objectives are met and regulatory requirements complied with. The liquidity risk appetite is measured with reference to stressed net contractual and contingent outflows for a variety of stress scenarios and is used to determine the liquidity buffer. Stress testing is undertaken to assess and plan for the impact of various scenarios which may put the Group's liquidity at risk. The stress tests take account of both internal and external scenarios separately and on an aggregate basis. The stress scenario testing enables preparation of an operationally robust contingency funding plan.

31 December 2021	**From 1 to 12 months**	**From 1 year to 3 years**	**From 3 years and above**	**Total**
Contractual maturities of financial liabilities				
Financial liabilities at fair value through profit or loss	362 599	272 003	174 019	808 621
Customer deposits	979 847	195 739	–	1 175 586
Cash collateral	21 522	–	–	21 522
Trade and other payables	965 860	–	–	965 860
Lease liabilities	32 560	47 379	60 021	139 960
Borrowings	3 110 312	4 416 920	315 610	7 842 842
	5 472 700	**4 932 041**	**549 650**	**10 954 391**

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.2 LIQUIDITY RISK (continued)

31 December 2020	From 1 to 12 months	From 1 year to 3 years	From 3 years and above	Total
Contractual maturities of financial liabilities				
Financial liabilities at fair value through profit or loss	144 649	8 206	–	152 855
Customer deposits	664 393	–	–	664 393
Cash collateral	18 838	–	–	18 838
Trade and other payables	593 717	–	–	593 717
Lease liabilities	38 208	64 523	108 964	211 695
Borrowings	2 549 739	3 195 907	1 100 291	6 845 937
	4 009 544	**3 268 636**	**1 209 255**	**8 487 435**

1.3.3 MARKET RISK

Market risk is the risk of decline in the Group's earnings or value of its holdings of financial instruments due to variations in market prices, which include currency exchange rates, interest rates and credit spreads. Market risk management is aimed at optimising return on risk while ensuring exposures are within the set risk appetite. Market risk exists wherever Letshego Holdings Limited (the Group) or its subsidiaries have trading, banking or investment positions. Market risk is proactively managed and regularly reported. The reports highlight key focus areas based on exposures which include breaches on set limits.

The key objective is to provide assurance that losses resulting from market risk will not materially reduce the Group capital and earnings.

Foreign exchange rate risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognized assets and liabilities and net investment in foreign operations. Foreign exchange risk arising from future commercial transactions and recognized assets and liabilities are managed through use of forward contracts and through borrowings denominated in the relevant foreign currencies.

Foreign exchange gain for the year ended 31 December 2021 was P2.4 million (foreign exchange loss for the year ended 31 December 2020: P18.6 million).

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 MARKET RISK (continued)

Interest rate risk

The Group is exposed to risks associated with the effects of fluctuations in prevailing levels of market interest. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Interest rate risk management methodologies across the Group are designed to identify, measure, monitor and control interest rate risk in line with the operating model which exposes the Group to various interest rate risks including endowment risk, repricing risk, optionality risk, basis risk and yield curve risk.

31 December 2021 **Buckets P'm**	**< 1 month**	**1 – 12 months**	**1 – 3 years**	**> 3 years**	**Total**
Rate sensitive assets					
Short term investments	138 025	–	–	–	138 025
Loans and advances to customers	436 403	1 420 514	3 622 363	6 396 315	11 875 595
	574 428	1 420 514	3 622 363	6 396 315	12 013 620
Rate sensitive financial liabilities					
Customer deposits	262 568	717 279	195 739	–	1 175 586
Borrowings	2 442 597	3 816 832	501 132	620 207	7 380 768
	2 705 165	4 534 111	696 871	620 207	8 556 354
Gap	**(2 130 737)**	**(3 113 597)**	**2 925 492**	**5 776 108**	**3 457 266**
Cumulative Gap	**(2 130 737)**	**(5 244 334)**	**(2 318 842)**	**3 457 266**	

31 December 2020 **Buckets P'm**	< 1 month	1 – 12 months	1 – 3 years	> 3 years	Total
Rate sensitive assets					
Short term investments	–	–	–	–	–
Loans and advances to customers	318 988	534 493	4 778 633	4 529 420	10 161 534
	318 988	534 493	4 778 633	4 529 420	10 161 534
Rate sensitive financial liabilities					
Customer deposits	64 930	599 463	–	–	664 393
Borrowings	2 242 608	2 055 704	838 445	512 804	5 649 561
	2 307 538	2 655 167	838 445	512 804	6 313 954
Gap	**(1 988 550)**	**(2 120 674)**	**3 940 188**	**4 016 616**	**3 847 580**
Cumulative Gap	**(1 988 550)**	**(4 109 224)**	**(169 036)**	**3 847 580**	

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 MARKET RISK (continued)

Market risk framework and governance

The ALM/Treasury Risk Framework outlines or discloses the methodology by which the Group identifies, measures, monitors, controls and reports on its market risk profile for every operation overseen by the Group. Effective board oversight of the Group's exposure to Market Risk is the cornerstone of an effective market risk management process. The Board and Senior Management understands the nature and level of market risk assumed by the Group and its subsidiaries and how this risk profile fits within the overall business strategies.

The Group has an effective market risk framework which include: -

The Board of Directors

The Board of directors undertake the ultimate responsibility and ensure that: -

- Approved market risk policies and procedures in place are effective and adequate.
- Acceptable market risk limits are aligned to the overall objectives.
- To formulate and approve broad business strategies and policies that govern or influence the market risk of the institution.
- They understand and assess the performance of senior management in monitoring and controlling market risks in compliance with the institution's board approved policies.

Senior Management

The senior management are charged with implementing all approved policies that govern market risk and developing procedures for effective management of the risks. Therefore, the senior management is responsible for: -

Appropriate limits on risk taking;

- Adequate systems and standards for measuring market risk;
- Standards for valuing positions and measuring performance;
- A comprehensive market risk reporting and review process.
- Effective internal controls.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 MARKET RISK (continued)

Interest rate benchmark reform

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has borrowings that reference to USD LIBOR, EURIBOR and JIBAR.

The Group considers its risk exposure arising from IBOR reform to predominantly stem from its 3-month USD LIBOR, 6-month USD LIBOR and 3-months JIBAR exposures. While it is expected that most reforms affecting the Group's LIBOR settings will be completed by 2023, following publications by the ICE Benchmark Administration (the administrator of LIBOR), it is however anticipated that JIBAR will only be discontinued at some future date to be determined by the South Africa Reserve Bank (as the administrator of JIBAR).

The Group does not consider there to be risk arising from IBOR reform in respect of EURIBOR as at 31 December 2021. This is because the calculation methodology of EURIBOR changed during 2019 and the reform of EURIBOR appears to be complete. In July 2019, the Belgian Financial Services and Markets Authority (as the administrator of EURIBOR) granted authorisation with respect to EURIBOR under the European Union Benchmarks Regulation. This allows market participants to continue to use EURIBOR after 1 January 2021 for both existing and new contracts. Since the EUR Risk Free Rate Working Group has not contemplated the cessation of EURIBOR, the Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

How the Group is managing the transition and associated risks

The Group is in the process of preparing to amend contractual terms in response to IBOR reform and there is still uncertainty over the timing and the methods of transition for some of the IBOR settings that the Group is exposed. The Group anticipates that IBOR reform will have some operational, risk management and accounting impacts across its business entities in Botswana, Kenya, Ghana, Namibia and Eswatini.

The main risks to which the Group is exposed as a result of IBOR reform are Operational. For example, the renegotiation of loan contracts through bilateral negotiation with funders, updating of contractual terms, updating of systems that use IBOR curves and revision of operational controls related to the Reform. On the other hand, the Group's Financial Risk is predominantly limited to interest rate risk.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 MARKET RISK (continued)

Interest rate benchmark reform continued

The following table summarises the significant non-derivative exposures impacted by interest rate benchmark reform as at 31 December 2021:

	USD LIBOR P'000	JIBAR P'000	Total P'000
Non-derivative financial liabilities			
Debt securities in issue	1 915 540	554 436	2 469 976
	1 915 540	**554 436**	**2 469 976**

The table above represents the exposures to interest rate benchmark reform by balance sheet account, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2021. Balances reported at amortised cost are disclosed at their gross carrying value, prior to any expected credit losses that may be held against them.

	USD LIBOR P'000	JIBAR P'000	Total P'000
Derivatives held for risk management			
Total return swap	–	335 575	335 575
Cross currency swaps	877 923	–	877 923
	877 923	**335 575**	**1 213 498**

The table above represents the derivative exposures to interest rate benchmark reform, which have yet to transition. The exposure disclosed is for positions with contractual maturities after 31 December 2021. Derivatives are reported by using the notional contract amount and where derivatives have both pay and receive legs with exposure to benchmark reform, the notional contract amount is disclosed for both legs.

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 MARKET RISK (continued)

Currency risk

The following table shows the assets and liabilities of the Group in the respective currencies (Pula equivalent) at the reporting date.

31 December 2021	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1 121	17 319	211 618	44 004	89 558	23 574
Advances to customers	–	488 571	3 163 786	330 568	417 985	448 105
Investment in securities	–	–	19 850	–	–	–
Financial assets at fair value through profit or loss	–	–	–	–	–	–
Financial assets at fair value through OCI	–	–	–	–	–	–
Right-of-use assets	–	2 120	4 173	827	5 894	1 901
Other receivables	49	2 364	250 266	540	18 522	3 885
Total assets	**1 170**	**510 374**	**3 649 693**	**375 939**	**531 959**	**477 465**
Financial liabilities at fair value through profit or loss	76 753	–	–	–	–	–
Customer deposits	–	–	284 630	–	25 910	–
Cash collateral	–	–	–	–	–	7 078
Borrowings	28 939	138 240	1 460 346	77	–	201 042
Trade and other payables	3 176	6 337	176 144	3 988	23 193	7 366
Total liabilities	**108 868**	**144 577**	**1 921 120**	**4 065**	**49 103**	**215 486**
Net exposure	**(107 698)**	**365 797**	**1 728 573**	**371 874**	**482 856**	**261 979**
Exchange rates at 31 December 2021 – mid: BWP 1.00 =	**1.36**	**1.36**	**1.36**	**1.36**	**196.16**	**301.96**

Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
227 564	71 372	24 528	23 647	223 137	37	297 396	158 572	52	**1 413 500**
1 770 352	617 556	56 585	143 476	1 508 789	–	–	2 929 822	–	**11 875 595**
–	–	–	–	302 952	–	536 694	–		**859 496**
–	–	–	–	–	–	826 092	–		**826 092**
–	–	–	–	–	–	71 499	–	–	**71 499**
12 070	5 885	1 535	2 595	6 530	–	–	55 226	–	**98 756**
42 491	16 706	1 328	822	18 308	–	–	58 130	–	**413 411**
2 052 477	**711 519**	**83 976**	**170 540**	**2 059 716**	**37**	**1 731 681**	**3 201 750**	**52**	**15 558 348**
–	–	–	–	–	–	731 868	–	–	**808 621**
541 653	–	22 644	53 500	247 249	–	–	–	–	**1 175 586**
–	14 444	–	–	–	–	–	–	–	**21 522**
196 499	404 207	–	–	850 279	–	783 047	3 318 092	–	**7 380 768**
23 519	37 782	2 187	7 957	562 136	–	13 046	99 029	–	**965 860**
761 671	**456 433**	**24 831**	**61 457**	**1 659 664**	**–**	**1 527 961**	**3 417 121**	**–**	**10 352 357**
1 290 806	**255 086**	**59 145**	**109 083**	**400 052**	**37**	**203 720**	**(215 370)**	**52**	**5 205 992**
5.44	**9.64**	**87.86**	**35.03**	**0.53**	**15.87**	**0.09**	**1.00**	**0.08**	

1 FINANCIAL RISK MANAGEMENT (continued)

1.3 Financial risk (continued)

1.3.3 MARKET RISK (continued)

Currency risk (continued)

31 December 2021	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000
Cash and cash equivalents	1 519	17 267	346 901	(641)	71 410	22 019
Advances to customers	–	491 644	2 671 342	409 473	418 821	382 883
Financial assets at fair value through profit or loss	–	–	–	–	–	–
Financial assets at fair value through OCI	–	–	–	–	–	–
Right-of-use assets	–	1 317	6 846	1 379	4 872	4 011
Other receivables	–	5 011	134 563	197	4 544	5 903
Total assets	**1 519**	**515 239**	**3 159 652**	**410 408**	**499 647**	**414 816**
Financial liabilities at fair value through profit or loss	76 753	–	–	–	–	–
Customer deposits	–	–	137 822	–	45 273	–
Cash collateral	–	–	–	–	–	4 452
Borrowings	349 659	200 642	619 796	21 537	–	161 968
Trade and other payables	49	7 281	105 749	4 271	14 107	6 372
Total liabilities	426 461	207 923	863 367	25 808	59 380	172 792
Net exposure	**(424 942)**	**307 316**	**2 296 285**	**384 600**	**440 267**	**242 024**
Exchange rates at 31 December 2020 – mid: BWP 1.00 =	**1.36**	**1.36**	**1.36**	**1.36**	**214.87**	**338.21**

Mozambican Metical P'000	Kenya Shillings P'000	Rwandan Francs P'000	Nigerian Naira P'000	Ghana Cedi P'000	Great Britain Pound P'000	United States Dollars P'000	Botswana Pula P'000	Eurozone Euro P'000	Total Pula P'000
169 879	45 007	18 347	22 228	196 919	172	25 518	107 251	68	**1 043 864**
1 244 049	603 878	30 672	135 453	962 765	–	–	2 810 554	–	**10 161 534**
–	–	–	–	–	–	–	140 804		**140 804**
–	–	–	–	–	–	–	59 408	–	**59 408**
11 873	6 339	765	1 774	13 742	–	–	78 785	–	**131 703**
22 887	1 545	2 056	105	32	–	–	38 653	–	**215 496**
1 448 688	**656 769**	**51 840**	**159 560**	**1 173 458**	**172**	**25 518**	**3 235 455**	**68**	**11 752 809**
–	–	–	–	–	–	75 080	1 022	–	**152 855**
363 390	–	17 889	48 967	51 052	–	–	–	–	**664 393**
–	14 386	–	–	–	–	–	–	–	**18 838**
149 607	361 445	309	–	531 166	–	101 845	3 056 277	95 310	**5 649 561**
17 841	105 522	2 425	5 337	265 817	–	–	58 946	–	**593 717**
530 838	481 353	20 623	54 304	848 035	–	176 925	3 116 245	95 310	**7 079 364**
917 850	**175 416**	**31 217**	**105 256**	**325 423**	**172**	**(151 407)**	**119 210**	**(95 242)**	**4 673 445**
6.92	**10.11**	**91.47**	**35.66**	**1.84**	**0.07**	**0.09**	**1.00**	**0.08**	

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk exists in all products and business activities.

These risks are managed by the Group in accordance with a framework approved by the Board of Directors covering:

- Effective Board and Senior Management oversight at both Group and country level;
- Sound risk management practices that are in line with best practice and local regulations in the countries in which the Group operates;
- Effective segregation of duties across the footprint;
- Established processes in risk identification, assessment, controls and monitoring;
- Fostering an improved risk awareness culture; and
- Operational risk appetite.

GROUP'S APPROACH TO MANAGING OPERATIONAL RISK

The Group's approach to managing operational risk is to implement simple and appropriate fit for purpose operational risk practices that assist the originators of risk events to understand their inherent risk and reduce their risk profile, in line with the Group's risk appetite, while maximizing on shareholder value.

OPERATIONAL RISK FRAMEWORK AND GOVERNANCE

The Operational Risk Management Framework outlines the overall risk management approach for Operational Risk in the Group, provides the mechanism for the overall operational risk strategic direction and ensures that an effective operational risk management and measurement process is adopted throughout the Group. This framework is maintained by the Group Chief Risk Officer and formally reviewed after every two years in line with the Group's risk appetite. Furthermore, the approval authority for this framework and revisions thereto is mandated to the Group Risk, Social and Ethics Committee.

The ultimate responsibility for operational risk management rests with the Board of Directors. To discharge this responsibility, the Group Risk and Social Ethics Committee (GRSEC) understands the major aspects of the Group's operational risk as a distinct category of risk that must be managed and is required to approve the operational risk strategy as part of a comprehensive risk management strategy for the Group. GRSEC meets on a quarterly basis to review all other major risks including operational risks. At management level, the Group Management Risk Committee reviews and monitors significant operational risk events and ensures that the control environment is adequate to prevent recurrence.

It is the responsibility of the Risk Owners to ensure that the risk culture, oversight and resources deployed are such that there is a capability to ensure adherence to the relevant policies, standards and procedures. The Risk Owners' purpose is to ensure the quality, integrity and reliability of operational risk management and internal control and to provide an opinion accordingly.

THE MANAGEMENT AND MEASUREMENT OF OPERATIONAL RISK

The operational risk framework forms the basis for the embedding of operational risk management into the day-to-day business processes and practices. This framework includes qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor operational risks and to provide management with information for determining appropriate controls and mitigating measures.

The Group identifies and assesses operational risk inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the operational risk inherent in them is subjected to adequate assessment by the risk owners and control owners.

The Group conducts risk assessments in line with the Group's risk appetite based on core objectives and processes. The Risk Identification and Control Process Manual is being enhanced to cover the Group Operational Risk processes in detail and seeks to embed a process by which key operational risk events, key causes and key controls are identified, assessed and reported in a consistent and structured manner within the Group.

The enhanced Group Operational Risk framework comprises several elements of which the Risk and Control Self Assessments (RCSAs), Key Risk Indicators (KRI) and Incident Management (IM) are the primary components.

1 FINANCIAL RISK MANAGEMENT (continued)

1.4 Operational risk (continued)

RISK AND CONTROL SELF ASSESSMENTS (RCSAS)

The purpose of the RCSA process is to identify and effectively manage operational risks that could jeopardise the achievement of business objectives. The RCSA process identifies the appropriate controls to mitigate risk, and allows the Group Risk Owners and Control Owners to rate the level of inherent as well as residual risk-taking consideration of the adequacy and effectiveness of controls.

All key functions under the Group are compelled to perform RCSAs at least once a year with oversight from Group Operational Risk and use Risk Registers to assess daily risks and report to Group EXCO through the Group Chief Risk Officer on a monthly basis.

KEY RISK INDICATORS (KRIS)

Key Risk Indicators (KRI's) are defined by the Group as indicators that provide early warning of a change in risk exposure and highlight control weaknesses or potential failures. All key functions within the Group are required to establish relevant measures (qualitative and quantitative) which will enable them to regularly monitor their exposure to operational risk. KRIs are reviewed by management annually or when necessary and are identified for key business processes. The Group Operational Risk Function oversees the quality of KRIs and provides some level of challenge to those that appear incomplete or are inconsistent with the risk profile.

IMPACT OF COVID-19 TO THE GROUP OPERATIONS

The global outbreak of Covid-19 in the first quarter of 2020 evolved rapidly with cycles of waves and variants through to the last quarter of 2021. The pandemic caused major disruptions to both social and economic activities in all sectors across the world including in the markets where the Group operates.

The Group did not record material operational losses or service disruptions during the year. The Group's contingency measures and crisis management strategy deployed since 2020 proved effective in keeping the Group business and operations resilient and its employees safe in 2021. on health and Safety, The group contained employee infection rates way below national averages. The Group Corona Crisis Committee (CCC) was in force throughout the year and effected policy and operational responses as the pandemic evolved. The Group achieved significant milestone in 2021, attaining employee vaccination rates >80% by Dec 2021 and only recording one

Covid-19 Pandemic still presents a significant uncertainty to the Group business. Potential for outbreaks of new waves and variants of the virus is still high. The Group will continue to work with authorities to support initiatives that will accelerate vaccinations nationally. The Group Corona Crisis Committee will remain in force in 2022 to monitor and respond to any emerging pandemic risks and oversee policy actions.

INCIDENT MANAGEMENT

The incident management process is supported by the Incident Management Policy and procedures. Management and Staff proactively and appropriately manages incidents to minimize their impact. The Group maintains a complete record of all risk events, perform impact assessment and review risk and controls. In 2021,the Group implemented a program of incident and audit socialization across the subsidiaries. A material incident in one department or subsidiary is shared across the functions and subsidiaries for awareness and control self assessment.

BUSINESS CONTINUITY MANAGEMENT AND CRISIS MANAGEMENT

The Group established an adhoc Corona Crisis Committee (CCC) at Group and subsidiary levels from the year 2020 in response to the pandemic as part of its overall Business Continuity Management (BCM) framework. The responsibilities of the Committee was overseeing the identification, management and mitigation of pandemic risks in an all inclusive manner, providing strategic leadership and making appropriate recommendations in response to emerging crisis, testing of the pandemic management strategy, and establishment of policy and framework. The Group achieved strong business and operational resilience across its footprints since the onset of the pandemic.

GROUP OPERATIONAL RISK PROFILE

In 2021, inherent operational risk of the Group was rated high with a residual risk of moderate. Although the Group operational losses for 2021 were way below the approved risk appetite of <2% of profit before tax, The Group remained exposed to potential operational risks resilience and health & safety due to the prevailing pandemic environment in the year. The residual risk rating of the Group Operational is expected to remain stable at moderate in the next 12 months.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value disclosed by category

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities that are not measured at fair value, if the carrying amount is a reasonable approximation of fair value.

	Carrying amount					Fair value			
31 December 2021	**Fair value – through OCI P'000**	**Fair value – through profit and loss P'000**	**Financial Assets at amortised cost P'000**	**Financial liabilities at amortised cost P'000**	**Total P'000**	**Level 1 P'000**	**Level 2 P'000**	**Level 3 P'000**	**Total P'000**
Financial assets measured at fair value									
Financial assets at fair value through OCI	71 499	–	–	–	71 499	–	–	71 499	71 499
Financial assets at fair value through profit or loss	–	826 092	–	–	826 092	–	826 092	–	826 092
	71 499	**826 092**	**–**	**–**	**897 591**	**–**	**826 092**	**71 499**	**897 591**
Financial assets not measured at fair value									
Cash and cash equivalents	–	–	1 413 500	–	1 413 500	–	1 413 500	–	1 413 500
Investment in securities	–	–	859 496	–	859 496	–	859 496	–	859 496
Advances to customers	–	–	11 875 595	–	11 875 595	–	11 875 595	–	11 875 595
Other receivables	–	–	330 411	–	330 411	–	330 411	–	330 411
	–	**–**	**14 479 002**	**–**	**14 479 002**	**–**	**14 479 002**	**–**	**14 479 002**
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	–	808 621	–	–	808 621	–	808 621	–	808 621
Financial liabilities not measured at fair value									
Trade and other payables	–	–	–	857 066	857 066	–	857 066	–	857 066
Customer deposits	–	–	–	1 175 586	1 175 586	–	1 175 586	–	1 175 586
Cash collateral	–	–	–	21 522	21 522	–	21 522	–	21 522
Borrowings	–	–	–	7 380 768	7 380 768	–	7 380 768	–	7 380 768
	–	**–**	**–**	**9 434 942**	**9 434 942**	**–**	**9 434 942**	**–**	**9 434 942**

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value disclosed by category (continued)

	Carrying amount					Fair value			
31 December 2020	Fair value – through OCI P'000	Fair value – through profit and loss P'000	Financial Assets at amortised cost P'000	Financial liabilities at amortised cost P'000	Total P'000	Level 1 P'000	Level 2 P'000	Level 3 P'000	Total P'000
Financial assets measured at fair value									
Financial assets at fair value through OCI	59 408	–	–	–	59 408	–	–	59 408	59 408
Financial assets at fair value through profit or loss	–	140 804	–	–	140 804	–	140 804	–	140 804
	59 408	**140 804**	**–**	**–**	**200 212**	**–**	**140 804**	**59 408**	**200 212**
Financial assets not measured at fair value									
Cash and cash equivalents	–	–	1 043 864	–	1 043 864	–	1 043 864	–	1 043 864
Advances to customers	–	–	10 161 534	–	10 161 534	–	10 161 534	–	10 161 534
Other receivables	–	–	222 846	–	222 846	–	222 846	–	222 846
	–	**–**	**11 428 244**	**–**	**11 428 244**	**–**	**11 428 244**	**–**	**11 428 244**
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	–	152 855	–	–	152 855	–	152 855	–	152 855
Financial liabilities not measured at fair value									
Trade and other payables	–	–	–	605 680	605 680	–	605 680	–	605 680
Customer deposits	–	–	–	664 393	664 393	–	664 393	–	664 393
Cash collateral	–	–	–	18 838	18 838	–	18 838	–	18 838
Borrowings	–	–	–	5 649 561	5 649 561	–	5 649 561	–	5 649 561
	–	**–**	**–**	**6 938 472**	**6 938 472**	**–**	**6 938 472**	**–**	**6 938 472**

The carrying amount of items measured at amortised cost approximate their fair values.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value disclosed by category (continued)

MEASUREMENT OF FAIR VALUES

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identifiable assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value is observable
- Level 3 – Valuation technique for which the lowest level input that is significant to the fair value measurement is unobservable

RECONCILIATION OF FAIR VALUE MEASUREMENT CATEGORISES WITHIN LEVEL 3 OF THE FAIR VALUE HIERARCHY

	31 December 2021 P'000	31 December 2020 P'000
Financial assets – Level 3		
Opening balance	59 408	53 591
Fair value gain recognised	12 091	5 817
	71 499	**59 408**

SENSITIVITY OF FAIR VALUE MEASUREMENTS TO CHANGES IN UNOBSERVABLE MARKET DATA.

Based on the above a change in the value per share (based on company valuation), which is usually conducted during a cash subscription of shares, changes by 1% – 5% will result in a fair value gain or loss of P0.7m and P3.6m respectively. Where the fair value of this investment does not materially vary to its carrying value, gains or losses will not be recognised.

The following tables show the valuation techniques used in measuring fair values, as well as significant unobservable inputs used.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Type	Valuation technique	Level	Significant unobservable inputs
Financial assets and liabilities at fair value through profit or loss	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates.
Fair value – through other comprehensive income	Since market values are not available from an observable market, as this is an investment in private equity, the recent transaction price has been considered as an approximation to fair value. The investment has been valued based on the recent price per share determined during a rights issue that occurred in 2021. The inputs include the number of shares and the price per share	Level 3	Based on the value from a company valuation that was done during a rights issue that took place in the current year

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Type	Valuation technique	Level	Significant unobservable inputs
Financial assets and liabilities at amortised cost	Valued by discounting the future cash flows using market interest rate applicable at that time. The sum of the cash flows denoted in the foreign currencies are converted with the spot rate applicable at the reporting date.	Level 2	Based on BWP, EURO and USD risk free rates.

1 FINANCIAL RISK MANAGEMENT (continued)

1.5 Financial assets and liabilities measured at fair value disclosed by category (continued)

MASTER NETTING OR SIMILAR AGREEMENTS

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The ISDA agreements do not meet the criteria for offsetting in the consolidated statement of financial position. This is because the Group does not have any currently legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events.

1.6 Summary of all financial risks and potential impact

The table below summarises each of the risks raised in this note, along with the anticipated impact should the risks crystallise.

	31 December 2021 P'000	31 December 2020 P'000
Interest rate risk		
Average cost of borrowings	9.4%	9.9%
Effect of increase in average borrowing cost by 1%		
– increase in interest expense	51 950	35 110
Effect on profit before tax	4.5%	3.4%
Currency risk		
Effect of BWP appreciation by 1%		
– Effective movement in foreign exchange rates	(6 893)	(3 840)
– Effect on profit before tax	(0.6%)	(0.4%)

SUMMARY

Impact of all above risks on profit before tax:
The impact of changes in variables in the opposite direction would be equal and opposite to the values shown above. The Group constantly evaluates these key risks through the process of governance, devises responses to risks as they arise, that are approved by the Group Balance Sheet Management Committee and Board of Directors.

2 USE OF ESTIMATES AND JUDGMENTS

The preparation of consolidated annual financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed by management on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Significant judgements made by management in the application of International Financial Reporting Standards occur mainly on loans and advances, impairments and share based payment calculations. Judgement is also applied to the valuation of goodwill recognised and probability of having sufficient taxable profits against which deferred tax assets may be utilised.

2.1 Impairment of advances to customers

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group regularly reviews its loan portfolio (note 5) and makes judgments in determining whether an impairment loss should be recognised in respect of observable data that may impact on future estimated cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce the differences between loss estimates and loss experience.

The below summarises the sensitivity analysis on impairment losses for changes in LGD and PD:

	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
December 2021		(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1: 12-month ECL allowance	130 813	124 542	106 189	163 576	198 508
Stage 2: Lifetime ECL allowance – not credit-impaired	110 193	111 907	107 619	104 195	32 305
Stage 3: Lifetime ECL allowance – credit-impaired	322 699	332 002	290 433	298 232	261 595
Total	**563 705**	**568 451**	**504 241**	**566 003**	**492 408**

	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
December 2020		(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1: 12-month ECL allowance	213 621	212 235	172 601	388 204	107 184
Stage 2: Lifetime ECL allowance – not credit-impaired	73 435	69 100	24 873	72 521	22 222
Stage 3: Lifetime ECL allowance – credit-impaired	290 931	308 946	236 611	293 617	251 930
Total	**577 987**	**590 281**	**434 085**	**754 342**	**381 336**

The sensitivity analysis has been calculated to show the impact of a 5% increase or decrease in the LGD and PD rates on the provision level. Therefore, based on the above, an increase in LGD or PD would have an adverse impact to Group profits. Measures are in place as per the risk governance framework to address this including portfolio management, which is inclusive of collection and recoveries, strategic focus and the risk appetite framework (note 1.3.1).

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.1 Impairment of advances to customers (continued)

ESTIMATES AND JUDGEMENTS IN DETERMINING IMPAIRMENT OF FINANCIAL ASSETS

The measurement of impairment losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- the Group's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment
- the segmentation of financial assets when their ECL is assessed on a collective basis
- development of ECL models, including the various formulas and the choice of inputs
- determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs
- selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models
- model adjustments and overlays will persist under IFRS 9 to account for localised impacts on the portfolio that are either not picked up by the model or late breaking news where running the ECL model would not be feasible
- as the ECL model is more quantitative in nature the formulation of provision overlay is backed by detailed analysis. The Group ensures that the following is done:
  - rationale as to why overlay is appropriate is provided
  - documentation of methodology and data used in determining the overlay is in place
  - persistent overlays to be incorporated into the ECL model at a future date where applicable

2.2 Share-based payment transactions

The Group operates an equity settled conditional Long Term Incentive Plan (LTIP). The plan is now only based on non-market conditions. These non-market performance conditions are determined by the Remuneration Committee. The number of awards to vest are assessed and adjusted for the attrition in participants as well as the extent of achievement of those conditions at the reporting dates. The assumption is that there will be a 53% (2020: 55%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate.

SENSITIVITY ANALYSIS

The table below details the impact on the profit following a deviation from the 53% (2020: 55%) vesting probability.

	31 December 2021 P'000	31 December 2020 P'000
Impact of a 10% deviation	7 444	5 690
Impact of a 25% deviation	18 611	14 225
Impact of a 50% deviation	37 222	28 451

In the event that more than 55% of the shares, vest the impact would be adverse to profit. In the event that less than 55% of the shares vest, the impact would be favourable to profit.

2.3 Deferred tax asset

The Group has recognised a deferred tax asset of P96 million (2020: P124 million) which arises from tax losses and other temporary differences that are available to set-off against future taxable income and other deductible temporary differences. The Group expects to generate sufficient taxable profits to utilise the deferred tax assets based on historical probability trends, management's plan on future business prospects and through the use of various tax planning opportunities which are available to the Group. In addition, the Group reviews the carrying amount of the deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.3 Deferred tax asset (continued)

		31 December 2021 P'000	31 December 2020 P'000
Deferred tax asset movement on tax losses			
Opening balance		–	6 102
Recognised during the year		5 583	–
Utilised during the year		–	(6 102)
Balance at the end of year		**5 583**	**–**
Summary of LHL Company tax losses recognised	**Year of expiry**		
December 2021	2026	6 301	–
		6 301	**–**

2.4 Income tax expense

The Group is subject to income taxes in various jurisdictions. The Group applies significant judgement in identifying uncertainties over income tax treatments in line with IFRIC 23. Since the Group operates in multinational environments, it assessed whether the interpretation had an impact on its consolidated financial statements. Significant judgement is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

2.5 Estimating the incremental borrowing rate used in lease liabilities

The Group applied judgement in determining the interest rate implicit in its lease liabilities. The Group uses its incremental borrowing rate, which reflects what the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. This requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs, such as comparable market interest rates for similar financed transactions (where and when available), and is required to make certain entity specific estimates, such as the adjustments to the rates for the subsidiaries' stand-alone credit rating and country specific risks.

2.6 Estimates in determining deferred revenue and related commissions

The Group recognises interest income using the effective interest method. The effective interest is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual/behavioural terms of the financial instrument. This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well as other fee income/expense that are an integral parts of the instrument.

2.7 Goodwill

As required by IAS 36 Impairment of assets, the goodwill was assessed for impairment at year end. This goodwill arose from acquisition of Letshego Holdings Namibia Limited, Letshego Tanzania Limited, Letshego Kenya Limited and Letshego Ghana Plc. For the purpose of assessing goodwill for impairment, the relevant entities are considered to be cash generating units. Such impairment assessment was done using a discounted cash flow model incorporating budgets approved by those charged with governance. Cash flows beyond the period covered by approved budgets were forecasted based on projected growth rates for the relevant cash generating unit. The evaluation was based on a five year strategy and terminal value.

In light of the current economic factors as a result of Covid-19 the Group assessed the recoverable amount of goodwill for the entities and determined that they were profitable with positive growth expected, indicating sufficient headroom to cushion against any future variations or pressures.

The recoverable amount of the cash generating units was determined with reference to the value in use. The growth rate is estimated based on past experience and anticipated future growth. The discount rate used is the weighted average cost of capital adjusted for specific risks relating to the entity. Refer to note 11 for the carrying value of each cash generating unit at the reporting date.

2 USE OF ESTIMATES AND JUDGMENTS (continued)

2.7 Goodwill (continued)

The table below shows the discount and growth rates used in calculating the value in use of each cash generating unit:

	31 December 2021		31 December 2020	
Entity	**Discount rates**	**Long term growth rates**	Discount rates	Long term growth rates
Letshego Holdings Namibia Limited	18%	5%	22%	4%
Letshego Tanzania Limited	25%	4%	24%	6%
Letshego Kenya Limited	19%	6%	19%	6%
Letshego Ghana Plc	22%	9%	26%	7%

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS AND SENSITIVITY TO CHANGE IN ASSUMPTIONS

The calculation of value in use for each cash generating unit is most sensitive to:

- discount rates
- inflation rate
- long term growth rates used to extrapolate cash flows beyond the forecast period

Discount rates

Discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

A rise in the pre-tax discount rate by 0.5% – 1% for each cash generating unit would not result in a further impairment.

Inflation rate

Estimates are obtained from published indices for each country and forecast figures are used if data is publicly available.

If inflation rates increased by an average of 0.5% – 1% above the forecast price inflation, the Group will not have a further impairment.

Long term growth rates used to extrapolate cash flows beyond the forecast period

When using industry data for growth rates, these assumptions are important because management assesses how each subsidiary position, relative to its competitors, might change over the forecast period. Management also reviews each subsidiary's previous years' performance against performance targets and an average performance rate is used to extrapolate future cash flows.

An increase in the growth rate assumption will result in a decrease in impairment whereas a decrease in growth rate will have a further impairment.

		31 December 2021 P'000	31 December 2020 P'000
3	**CASH AND CASH EQUIVALENTS**		
	Cash at bank and on hand	1 217 269	850 076
	Statutory cash reserve	58 206	57 330
	Short term investments	138 025	136 458
		1 413 500	**1 043 864**
	Cash and cash equivalents for the purpose of the statement of cash flow	**1 355 294**	**986 534**

Short term investments constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 3% – 12% per annum (2020: 1% – 5.0%). Cash at bank is held with reputable financial institutions with good credit standing. Statutory cash reserve relates to cash held by the Central Bank for the respective subsidiaries based on the average customer deposits and, therefore, is not available for day-to-day operations.

P108 million (2020: P40 million) of the borrowings in Ghana are secured by lien over Treasury Bills and Government instruments. The aggregated value of these Treasury Bills and Government instruments is P135 million (2020: P39 million).

		31 December 2021 P'000	31 December 2020 P'000
4	**INVESTMENT IN SECURITIES**		
	Government and Corporate bonds: 2 – 5 year fixed-rate notes	832 116	–
	Government and Corporate bonds: Above 5 year fixed-rate notes	27 380	–
		859 496	**–**

Treasury bonds are classified as financial assets at amortised cost as the business model is to hold financial assets to collect contractual cash flows, representing solely payments of principal and interest. These were issued by the Central Bank, Government and Corporates in Ghana and Namibia. The expected credit loss for these instruments was assessed to be insignificant through the application of a low credit risk exemption on the instruments.

Interest income generated from the government and corporate bonds during the year amounted to P17.5 million (2020: P1.8 million).

5 ADVANCES TO CUSTOMERS

	31 December 2021 P'000	31 December 2020 P'000
Gross advances to customers	12 439 300	10 739 521
Less: Expected credit losses	(563 705)	(577 987)
– Stage 1	(130 813)	(213 621)
– Stage 2	(110 193)	(73 435)
– Stage 3	(322 699)	(290 931)
Net advances to customers	**11 875 595**	**10 161 534**
Maturity analysis		
Maturing within one year	1 217 280	853 482
Maturing after one year, within five years	9 683 392	5 333 124
Maturing after five years	1 538 628	4 552 915
Total gross advances to customers	**12 439 300**	**10 739 521**
Certain advances to customers are pledged as security to borrowings as set out in Note 18.		
Impairment of advances		
Balance at the beginning of the year	577 987	761 404
Net impairment reversal for the year – formal loans	(4 820)	(174 155)
Net impairment reversal for the year – informal loans	(9 462)	(9 262)
Balance at the end of the year	**563 705**	**577 987**
An analysis of net advances by credit risk, including related impairment provisions, is contained in Note 1.3.1 to these financial statements.		
Charges to profit or loss		
Amounts written off	175 403	407 817
Recoveries during the year	(178 317)	(198 629)
Expected credit losses reversed during the year	(14 282)	(183 417)
	(17 196)	**25 771**

In 2014 Letshego Kenya Limited (LKL) entered into an agreement with the share ownership trust of a local bank to enable the employees of the local bank to participate in the bank's employee share ownership scheme. The arrangement resulted in the recognition of a separate financial asset and financial liability in the accounting records of LKL. The local bank subsequently went into receivership and following this, in 2018, the LKL Board of Directors approved the recognition of a provision for impairment of loans and advances amounting to BWP75 million, having been a full provision of the outstanding financial asset at the time of reporting on 31 December 2018. During the current financial year, LKL received correspondence from the liquidator of the local bank confirming that LKL had a legally enforceable right to offset the financial asset (which was amounting to BWP75 million) and financial liability initially recognised upon entering into the lending arrangement (which was now amounting to BWP94 million). According to the correspondence received from the liquidator of the local bank, the ability for LKL to set off the financial asset and financial liability was on condition that; (i) an agreement in regard to this settlement is executed between the liquidator and LKL, and (ii) LKL pays over the remaining portion of financial liability, after the offsetting arrangement, to the liquidator of the local bank by 6 April 2022.

Upon receipt of the correspondence, LKL decided to take up its right to offset the financial instruments, which resulted in LKL owing an obligation of BWP19 million to the liquidator of the local bank (following the set off). In light of the recoverability of the loans that had been previously impaired, the LKL Board of Directors adjusted the previous accounting estimate recognised in the accounting records and released the entire loan impairment provision previously held of BWP75 million to profit or loss as at 31 December 2021.

		31 December 2021 P'000	31 December 2020 P'000
6	**OTHER RECEIVABLES**		
	Deposits and prepayments	89 437	46 951
	Receivable from insurance arrangements	269 544	168 029
	Withholding tax and value added tax receivable	880	755
	Deferred arrangement fees	29 767	19 418
	Settlement and clearing accounts	19 742	23 619
	Other receivables	4 041	4 430
		413 411	**263 202**

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

		31 December 2021 P'000	31 December 2020 P'000
7	**FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Foreign currency swaps	826 092	140 804
		826 092	**140 804**

This relates to short term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure to currency risk. These were translated using reporting date exchange rates to reflect the changes in foreign currencies. The related financial liability at fair value through profit or loss is in Note 13.

Refer to Note 1.5 for details of the fair value and valuation technique adopted for Financial Assets at Fair Value through Profit or Loss in light of unobservable market data.

		31 December 2021 P'000	31 December 2020 P'000
8	**FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**		
	Balance at the beginning of the year	59 408	53 591
	Fair value gain recognised through other comprehensive income	12 091	5 817
		71 499	**59 408**
	Fair value gain recognised through other comprehensive income, net of tax	9 431	5 817
	% shareholding	**1.5%**	**2.3%**

The Group entered into a strategic partnership with a financial services organisation in 2016 and at the time acquired a 2.3% shareholding at P53.6 million. A fair value assessment is performed annually.

A valuation of the financial services organisation was carried out internally during the current year, following a cash subscription of shares in the organisation by a new shareholder. Management assessed the Group's investment and determined its value to be P71.5 million. This resulted in a fair value gain, net of tax, of P9.4 million (2020: P5.8 million) recognised above.

9 PROPERTY AND EQUIPMENT

	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & buildings P'000	Work in progress P'000	Total P'000
Cost						
Balance at 1 January 2021	14 240	119 482	94 114	15 795	10 392	254 023
Additions	2 750	15 218	10 283	–	84 657	112 908
Transfers	–	729	(14)	–	(715)	–
Disposals	(822)	(18 327)	(16 283)	–	–	(35 432)
Forex translation	574	7 666	17 851	1 092	370	27 553
Balance at 31 December 2021	**16 742**	**124 768**	**105 951**	**16 887**	**94 704**	**359 052**
Accumulated depreciation						
Balance at 1 January 2021	9 147	86 971	64 705	(1 029)	–	159 794
Charge for the year	2 643	24 378	10 617	–	–	37 638
Transfers	–	283	1	–	–	284
Disposals	(227)	(18 022)	(14 859)	–	–	(33 108)
Forex translation	(130)	5 437	15 286	1 029	–	21 622
Balance at 31 December 2021	**11 433**	**99 047**	**75 750**	**–**	**–**	**186 230**
Net book value at 31 December 2021	**5 309**	**25 721**	**30 201**	**16 887**	**94 704**	**172 822**

	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & buildings P'000	Work in progress P'000	Total P'000
Cost						
Balance at 1 January 2020	13 110	109 616	84 249	17 710	7 100	231 785
Additions	1 938	19 680	10 138	–	9 444	41 200
Transfers	539	(5 190)	4 561	–	(5 243)	(5 333)
Disposals	(353)	(127)	(2 426)	–	–	(2 906)
Forex translation	(994)	(4 497)	(2 408)	(1 915)	(909)	(10 723)
Balance at 31 December 2020	**14 240**	**119 482**	**94 114**	**15 795**	**10 392**	**254 023**
Accumulated depreciation						
Balance at 1 January 2020	7 338	67 505	58 300	(1 029)	–	132 114
Charge for the year	2 406	21 673	11 327	–	–	35 406
Disposals	82	(119)	(2 186)	–	–	(2 223)
Forex translation	(679)	(2 088)	(2 736)	–	–	(5 503)
Balance at 31 December 2020	**9 147**	**86 971**	**64 705**	**(1 029)**	**–**	**159 794**
Net book value at 31 December 2020	**5 093**	**32 511**	**29 409**	**16 824**	**10 392**	**94 229**

Work in progress comprises of assets acquired but not yet commissioned for use relating to strategic projects.

10 RIGHT-OF-USE ASSETS

	Property P'000	Total P'000
Cost		
Balance at 1 January 2021	202 979	202 979
Additions	26 328	26 328
Adjustment on lease modification	(33 911)	(33 911)
Forex translation	2 300	2 300
Balance at 31 December 2021	**197 696**	**197 696**
Accumulated depreciation		
Balance at 1 January 2021	71 276	71 276
Charge for the year	47 255	47 255
Adjustment on lease modification	19 310	19 310
Forex translation	(38 901)	(38 901)
Balance at 31 December 2021	**98 940**	**98 940**
Net book value at 31 December 2021	**98 756**	**98 756**

The lease modification relates to the Group's lease at its head office building in Gaborone, Botswana and emanated from a change in the agreed duration of occupation of the premises on 1 June 2021. The alteration of the contractual lease term, as at the indicated date, constituted a change in the scope of the lease, which was not part of the original conditions of the lease, and therefore required a lease modification to be accounted for.

	Property P'000	Total P'000
Cost		
Balance at 1 January 2020	96 869	96 869
Additions	111 863	111 863
Forex translation	(5 753)	(5 753)
Balance at 31 December 2020	**202 979**	**202 979**
Accumulated depreciation		
Balance at 1 January 2020	35 433	35 433
Charge for the year	35 183	35 183
Forex translation	660	660
Balance at 31 December 2020	**71 276**	**71 276**
Net book value at 31 December 2020	**131 703**	**131 703**

11 INTANGIBLE ASSETS

	Computer software P'000	Brand value P'000	Core deposit P'000	Total P'000
Cost				
Balance at 1 January 2021	101 738	4 080	9 258	115 076
Additions	2 926	–	–	2 926
Disposals	(138)	–	–	(138)
Forex translation	4 747	21	66	4 834
Balance at 31 December 2021	**109 273**	**4 101**	**9 324**	**122 698**
Accumulated amortisation				
Balance at 1 January 2021	65 812	2 883	7 290	75 985
Charge for the year	12 684	392	712	13 788
Transfers	(284)	–	–	(284)
Disposals		–	–	–
Forex translation	3 169	–	–	3 169
Balance at 31 December 2021	**81 381**	**3 275**	**8 002**	**92 658**
Net book value at 31 December 2021	**27 892**	**826**	**1 322**	**30 040**

	Computer software P'000	Brand value P'000	Core deposit P'000	Total P'000
Cost				
Balance at 1 January 2020	93 988	4 031	9 456	107 475
Additions	4 120	–	–	4 120
Transfer from work in progress	5 333	–	–	5 333
Disposals	–	–	–	–
Forex translation	(1 703)	49	(198)	(1 852)
Balance at 31 December 2020	**101 738**	**4 080**	**9 258**	**115 076**
Accumulated amortisation				
Balance at 1 January 2020	53 140	2 413	6 701	62 254
Charge for the year	13 343	470	589	14 402
Disposals	–	–	–	–
Forex translation	(671)	–	–	(671)
Balance at 31 December 2020	**65 812**	**2 883**	**7 290**	**75 985**
Net book value at 31 December 2020	**35 926**	**1 197**	**1 968**	**39 091**

	31 December 2021 P'000	31 December 2020 P'000
12 GOODWILL		
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22 537	22 489
Letshego Tanzania Limited	2 066	1 886
Letshego Kenya Limited	32 885	31 349
Letshego Ghana Plc	10 227	9 874
	67 715	**65 598**
Movement in goodwill		
Balance at the beginning of the year	65 598	65 598
Effect of exchange rate changes	2 117	–
Balance at the end of the year	**67 715**	**65 598**

Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. The Group assesses the recoverable amount of goodwill in respect of all cash generating units to determine indications of impairment.

The Group performed its annual impairment assessment as at 31 December 2021 (31 December 2020 for the prior year) for all the above cash generating units and no indications of impairment were noted.

	31 December 2021 P'000	31 December 2020 P'000
13 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS		
Foreign currency swaps	808 621	144 649
Interest rate swap	–	8 206
	808 621	**152 855**

In the current year P333.3 million relates to short term foreign currency swap arrangements with financial institutions, where the Group pays a specified amount in one currency and receives a specified amount in another currency to reduce its exposure to currency risk (the respective assets are disclosed in Note 7).

Letshego Holdings Limited, Letshego Financial Services (Proprietary) Limited Botswana and Letshego Kenya Limited entered into currency swap agreements with financial institutions in respect of foreign currency denominated funding listed below. The currency swap hedges the variable factor of the capital and interest coupons payable on these. Management evaluates the effective cash flow and applicable payments on the capital and coupon payments and discounts these to calculate the fair value of the currency swap.

Entity	**Currency**	**P'000**
Letshego Holdings Limited	USD	41 583
Letshego Financial Services (Proprietary) Limited Botswana	USD	15 750
Letshego Kenya Limited	USD	3 000

The fair value on interest rate swaps at 31 December 2021 is Nil (2020: P8.02 million favourable) and this movement was recognised through profit or loss.

	31 December 2021 P'000	31 December 2020 P'000
14 CUSTOMER DEPOSITS		
Demand accounts	38 501	106 384
Savings accounts	395 319	107 669
Call and term deposits	741 766	450 340
	1 175 586	**664 393**

These are deposits from customers and are short-term in nature.

	31 December 2021 P'000	31 December 2020 P'000
15 CASH COLLATERAL		
Balance at the beginning of the year	18 838	21 721
Raised/(utilised) during the year	2 684	(2 883)
Closing balance	**21 522**	**18 838**

Cash collateral represents payments made by customers as security for loans taken. The amounts are refundable upon the successful repayment of loans by customers or are utilised to cover loans in the event of default.

	31 December 2021 P'000	31 December 2020 P'000
16 TRADE AND OTHER PAYABLES		
Insurance premium payable	142 839	146 530
Payroll related accruals	14 400	14 204
Staff incentive accrual (note 16.1)	87 888	75 968
Accruals (note 16.2)	29 295	58 167
Guarantee funds	546 039	291 961
Other payables	124 493	94 818
Value added tax/withholding tax payable	20 906	32 900
	965 860	**714 548**

Guarantee funds relates to deposits received by the Group from a strategic partner for the funding of the mobile loans in Ghana. Trade and other payables relates to clearing accounts and unpaid supplier invoices at the reporting date and due to their short-term nature, their carrying amount approximates their fair value.

	31 December 2021 P'000	31 December 2020 P'000
16.1 Movement in staff incentive accrual		
Balance at the beginning of the year	75 968	75 968
Current period charge (note 25)	74 905	75 053
Paid during the year	(62 985)	(75 053)
Balance at the end of the year	**87 888**	**75 968**
16.2 Movement in accruals		
Balance at the beginning of the year	58 167	58 167
Paid during the year	(28 872)	–
Balance at the end of the year	**29 295**	**58 167**

17 LEASE LIABILITIES

	Carrying amount at 01 Jan 2021	Additions	Adjustment on lease modification	Interest expense	Cash payments	Forex translation	**Carrying amount at 31 Dec 2021**
Lease liabilities	133 377	26 328	(14 601)	14 930	(62 969)	2 581	**99 646**

	Carrying amount at 01 Jan 2020	Additions	Adjustment on lease modification	Interest expense	Cash payments	Forex translation	Carrying amount at 31 Dec 2020
Lease liabilities	64 760	111 863	–	13 053	(49 886)	(6 413)	**133 377**

	31 December 2021 P'000	31 December 2020 P'000
The following are the amounts recognised in profit or loss:		
Depreciation expense of right-of-use asset	47 255	35 183
Interest expense on lease liabilities	14 930	13 053
Expense relating to short-term leases	6 638	7 325
Expense relating to low value assets	1 414	2 852
	70 237	**58 413**
Total cash outflows relating to leases were as follows:		
Leases accounted for under IFRS 16	62 969	49 886
Short-term leases	6 638	7 325
Leases relating to low value assets	1 414	2 852
	71 021	**60 063**

The Group has entered into commercial leases for premises and operating equipment. The leases have an average life of between one and five years. The Group elected not to recognise assets and liabilities with a lease term of up to 12 months and low value leases for operating equipment. There are no restrictions placed upon the lessee by entering into these. The Group's leases are mainly non-cancellable and refer to the ageing of future lease payments as at 31 December 2021.

Refer to Note 10 for details of the lease modification indicated above.

	31 December 2021 P'000	31 December 2020 P'000
18 BORROWINGS		
Commercial banks	3 015 603	2 588 765
Note programmes	2 070 285	1 555 891
Development financial institutions	2 294 880	1 339 680
Pension funds	–	165 225
Total borrowings	**7 380 768**	**5 649 561**
Contractual maturity analysis		
Maturing within one year	3 586 061	2 074 631
Maturing after one year within three years	1 910 533	2 514 968
Maturing after three years	1 884 174	1 059 962
Total borrowings	**7 380 768**	**5 649 561**
Contractual interest on borrowings to maturity at reporting date	462 074	1 196 376
Total contractual cash flows on interest bearing loans and borrowings	**7 842 842**	**6 845 937**
Movement in borrowings		
Balance at the beginning of the year	5 649 561	4 966 785
Finance obtained from third parties	2 817 052	1 273 785
Repayment of borrowings	(636 976)	(519 042)
Effect of exchange rate changes	(448 869)	(71 967)
Balance at the end of the year	**7 380 768**	**5 649 561**

18 BORROWINGS (continued)

Note programmes

The Group has issued medium-term note programmes of P1.9 billion (2020: P1.6 billion) of which P28 million (2020: P350 million) are listed on the Johannesburg Stock Exchange, P918 million (2020: P853 million) on the Botswana Stock Exchange, P576 million (2020: P484 million) on the Ghana Stock exchange and P171million (2020: nil) listed on the Namibian Stock Exchange at the reporting date.

Security

P1.2 billion (2020: P2.3 billion) of the borrowings are secured by the advances to customers of:

- Letshego Financial Services (Pty) Limited (Botswana). During 2020 the advances of Letshego Micro Financial Services Namibia (Pty) Limited were part of the Security Sharing Arrangement. These were however removed from the structure in May 2021.
- Letshego Holdings Limited. The aggregated net advances to customers of the above is P2.9 billion (FY 2020 P4.34 billion, inclusive of Namibia) by way of a Security Sharing Agreement.

The Group Security Sharing agreement has the following covenants:

- Bad debts ratio
- Cash collection ratio
- Capitalisation ratio and
- Secured property ratio

The Group has complied with all the above debt covenants for both current and prior periods.

P3.7 billion (2020: P4.1 billion) relates to loans that are secured by a corporate guarantee from Letshego Holdings Limited. During the current year a number of subsidiaries sourced in-country and foreign funding which was guaranteed by Letshego Holdings Limited.

P404 million (2020: P419 million) relates to loans that are secured by a corporate guarantee from Letshego Financial Services (Pty) Limited Botswana. This relates to debt owed by Letshego Holdings Limited.

Interest rate

P2.2 billion (2020: P1.95 billion) of the borrowings are at fixed interest rates. P5.2 billion (2020: P3.4 billion) are loans issued at variable interest rates, including rates linked to each country's prime lending rate, 3 months JIBAR, 3 months US Libor, 182 days T-bill and 3 months Bank of Botswana's rates.

19 STATED CAPITAL

	31 December 2021 P'000	31 December 2020 P'000
Issued: 2,144,045,175 ordinary shares of no par value (2020: 2,144,045,175) of which 9,222,720 shares (2020: 14,571,140) are held as treasury shares	**882 224**	**872 169**

31 December 2021	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	2 129 474	14 571	2 144 045
Shares issued during the year ('000)	5 348	(5 348)	—
Number of shares at the end of the year ('000)	**2 134 822**	**9 223**	**2 144 045**

31 December 2020	Number of shares in issue	Shares held as treasury shares	Total number of shares
Number of shares at the beginning of the year ('000)	2 124 991	19 054	2 144 045
Shares issued during the year ('000)	4 483	(4 483)	—
Number of shares at the end of the year ('000)	**2 129 474**	**14 571**	**2 144 045**

In terms of the Group LTIP (Note 21), 5.348 million shares (2020: 4.483 million) vested at Group level during the current year and were issued from the treasury shares. Therefore the number of shares in issue increased to 2,135 million (2020: 2,129 million) and shares held as treasury shares reduced to 9.223 million (2020: 14.571 million).

Every shareholder shall have one vote for every share held subject to the rights of the holders of any shares entitled to any priority, preference or special privileges. All dividends shall be declared and paid to the members in proportion to the shares held by them respectively.

Capital management

The Group monitors its capitalisation levels using metrics including Return on Equity, Capitalisation ratio (Total equity/Total assets), Capital Adequacy ratio, Debt-to-Equity ratio and forecasts of asset and profitability performance. The Group's objectives when managing capital, which is a broader concept than the 'equity' in the consolidated statement of financial position are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The Group's shareholders' equity consists of stated capital and reserves. The Group uses its shareholders' equity and long term borrowings to fund growth and monitors the adequacy of its capital using internal benchmarks as well as external benchmarks set by funders and regulators in the countries of operations A risk based approach is also adopted whereby balances with counterparties are required to be supported by capital to a greater extent than other internally held assets.

	31 December 2021	31 December 2020
Capitalisation ratio	31%	35%
Return on equity	14%	13%
Debt-to-equity	149%	118%

Certain subsidiaries are regulated for capital requirements by the respective in-country regulators. Group maintains sufficient capital in its subsidiaries in order to meet the requirements of local jurisdictions. These are monitored constantly and actions are taken as and when required. During the year the subsidiaries have complied with the capital requirements.

20 LEGAL RESERVE

	31 December 2021 P'000	31 December 2020 P'000
Balance at the beginning of the year	214 835	195 793
Movement for the period – allocated from retained earnings	50 409	19 042
Balance at the end of the year	**265 244**	**214 835**

Legal reserve relates to non-distributable reserves and may be used to increase capital. This is applicable to the following:

• Letshego Financial Services Mozambique	Central Bank regulation requires a 30% transfer of annual profits.
• Letshego Bank (Namibia) Limited	The reserve represents the difference between provisions computed as per IFRS 9 and provisions calculated as per the regulatory approach.
• Letshego Ghana Plc	Central Bank regulation requires a 50% transfer of annual profits.
• Letshego Tanzania Limited	Where the provisions computed in accordance with International Financial Reporting Standards (IFRS) are less than those required by Regulations, a special non-distributable reserve shall be created through an appropriation of distributable reserves to eliminate the shortfall.
• Letshego Uganda Limited	Microfinance regulator requires a transfer of annual profits to be based on the difference between provisioning per IFRS 9 and as per the regulator.

21 SHARE INCENTIVE SCHEME

Performance shares granted as Long-Term Incentive Plan (LTIP) may not exceed 10% of the issued ordinary shares of the Holding Company. The incentive is subject to Group performance conditions which are based on criteria set by the Group Remuneration Committee. These are aimed at the alignment of the interests of staff with shareholder interests. They apply over a specified period of time and are pegged to a continued employment condition. The maximum number of shares which can be allocated to any individual participant under the scheme is 1% of the issued ordinary shares of the holding company.

The Group does not have a past practice of cash settlement for these share options and therefore accounts for them as an equity-settled plan.

As at 31 December 2021, 149,027,569 total awards were outstanding (2020: 108,526,021) at grant date share prices of P1.65, P0.71 and P0.75 for 2019, 2020 and 2021 awards, respectively (31 December 2020: P1.88, P1,65 and P0.71 for 2018, 2019 and 2020 awards respectively).

	31 December 2021		31 December 2020	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	Fair values	No. of awards
Outstanding at the beginning of the year	P1.88/P1.65/P0.71	108 526 020	P2.13/P1.88/P1.65	39 618 700
Granted during the year	P0.75	59 168 876	P0.71	72 385 263
Sign-on awards		–	P0.71/P0.86/P0.90	10 313 857
Exercised during the year	P1.88	(5 348 420)	P2.13	(4 483 050)
Forfeited due to not meeting performance	P1.88	(4 375 980)	P2.13	(3 667 950)
Forfeited due to resignations	P1.88/P1.65/P0.71	(8 942 927)	P1.88/P1.65/P0.71	(5 640 800)
Outstanding at the end of the year	**P1.65/P0.71/P0.75**	**149 027 569**	**P1.88/P1.65/P0.71**	**108 526 020**

The weighted average share price at the date of exercise of these options was P0.75 (2020: P0.84)

	31 December 2021 P'000	31 December 2020 P'000
Movement in share-based payment reserve		
Opening balance	31 295	24 304
Charge during the year (Note 25)	18 667	16 539
New shares issue from treasury shares during the year	(10 055)	(9 548)
Closing balance	**39 907**	**31 295**

The award is indexed to the Group's share price on the Botswana Stock Exchange and does not accrue notional dividends during the vesting period. The awards vest in two equal amounts at 112 months from the date of award.

		31 December 2021 P'000	31 December 2020 P'000
22	**INTEREST INCOME AT EFFECTIVE INTEREST RATE**		
	Advances to customers	2 588 409	2 426 509
	Interest income on risk informal/mobile loans	92 879	78 346
	Interest income on non-risk informal/mobile loans	387 166	185 271
	Interest income from deposits with banks, including investment securities	42 057	22 152
		3 110 511	**2 712 278**
23	**INTEREST EXPENSE AT EFFECTIVE INTEREST RATE**		
	Overdraft facilities and term loans	731 942	634 053
	Interest adjustment on non-risk informal/mobile loans	387 166	185 271
		1 119 108	**819 324**
23.1	**Other interest expense**		
	Interest expense on leases	14 930	13 053
	Foreign exchange loss/(gain)	(2 361)	18 587
		12 569	**31 640**
		1 131 677	**850 964**
	Interest expense has been disaggregated and presented as interest expense at effective interest rate and other interest expense.		
24	**FEE AND COMMISSION INCOME**		
	Administration fees – lending	68 310	64 443
	Credit life insurance commission	15 371	6 590
		83 681	**71 033**
24.1	**Other operating income**		
	Early settlement fees	53 805	42 156
	Income from insurance arrangements	200 664	153 925
	Market adjustment gain on interest currency swaps	13 226	7 184
	Sundry income	16 548	9 271
		284 243	**212 536**
25	**EMPLOYEE BENEFITS**		
	Salaries and wages	411 292	361 782
	Staff incentive (Note 16.1)	74 905	75 053
	Staff recruitment costs	1 861	2 184
	Staff pension fund contribution	31 538	28 669
	Directors' remuneration – for management services (executive)	7 978	9 270
	Long-term incentive plan	18 667	16 539
		546 241	**493 497**

	31 December 2021 P'000	31 December 2020 P'000
26 OTHER OPERATING EXPENSES		
Accounting and secretarial fees	764	641
Advertising	26 656	22 078
Audit fees	6 661	5 732
– Audit services	6 514	5 575
– Covenant compliance fees	147	157
Bank charges	8 693	10 497
Computer expenses	13 139	17 005
Consultancy fees	49 805	59 650
Corporate social responsibility	1 689	4 912
Collection commission	75 909	61 033
Direct costs	36 844	50 305
Direct costs – informal loans	23 922	22 969
Depreciation and amortization – property & equipment, intangible assets	51 426	49 808
Depreciation – right-of-use	47 255	35 183
Directors' fees – non executive	9 850	8 581
Directors' fees – subsidiary boards	9 253	7 746
Government levies	31 024	27 142
Insurance	16 798	18 688
Insurance – customer short term	55 194	–
Office expenses	22 500	23 161
Short term leases – property	6 638	7 325
Rental expense for low value assets	1 414	2 852
Other operating expenses	91 156	80 668
– Entertainment	305	338
– IT costs	6 454	8 000
– Loss on disposal of plant and equipment, intangible assets	2 324	683
– Loss on disposal of intangible assets	138	–
– Motor vehicle expenses	8 516	6 554
– Printing and Stationery	7 996	7 745
– Repairs and Maintenance	6 060	4 292
– Storage costs	2 848	2 271
– Subscriptions and licenses	8 099	5 919
– Other expenses	48 416	44 866
Payroll administration costs	1 093	2 086
Professional fees	34 596	24 972
Telephone and postage	32 418	32 995
Travel	16 272	19 279
	670 969	**595 308**

	31 December 2021 P'000	31 December 2020 P'000
27 TAXATION		
Amounts recognised in profit or loss		
Current taxation	**383 684**	**379 679**
– Basic taxation	299 704	278 929
– WHT tax credits adjustments	86 653	78 766
– * Release of prior year's tax provision	(2 673)	(14 401)
– Under provision in respect of prior years	–	36 385
Deferred tax	**33 559**	**19 755**
– Origination and reversal of temporary differences	33 559	19 755
– Under provision in respect of prior years	–	–
	417 243	**399 434**

* This relates to a release of a tax provision of P14.4 million in respect of a tax exposure for an East African subsidiary based on revised tax assessments.

	31 December 2021 P'000	31 December 2020 P'000
27.1 Deferred taxation		
Balance at the beginning of the year	124 139	143 894
Current year movement	(33 559)	(19 755)
Balance at the end of the year	**90 580**	**124 139**
Deferred tax assets	95 748	124 139
Deferred tax liabilities	(5 168)	–
	90 580	**124 139**

The Group expects to generate sufficient taxable profits to utilise the deferred tax asset based on historical profitability trends and management judgement on future business prospects.

	31 December 2021 P'000	31 December 2020 P'000
27 TAXATION (continued)		
27.1 Deferred taxation (continued)		
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	3 560	(7 480)
Lease liability	5 320	22 164
Right-of-use asset	(9 471)	(21 889)
Share-based payment provision	10 334	5 998
Staff incentive provision	12 095	20 746
Expected credit losses	69 680	100 971
Taxation losses	5 583	–
Leave pay provision	580	1 979
Net deferred expenditure	4 747	538
Prepayments	(13 211)	(2 591)
Unrealised exchange loss	6 069	3 703
Provisions	4 426	–
Financial assets at fair value	(9 132)	–
	90 580	**124 139**
27.2 Reconciliation of current taxation		
Profit before taxation	1 146 744	1 030 307
Tax calculated at Botswana statutory rate of 22%	252 284	226 668
Foreign income taxed at 15%	4 457	8 899
Effect of tax rates in foreign jurisdictions	44 262	55 274
Expenses and revenues not deductible for tax purposes	32 260	7 843
WHT tax credits adjustments	86 653	78 766
Release of prior year provision	(2 673)	(14 401)
Under provision in respect of prior year	–	36 385
	417 243	**399 434**
27.3 Reconciliation of income tax paid		
Opening balance – net of receivables and payables	424	157 002
Income tax charge for the year	**383 684**	**379 679**
– Tax charge per profit or loss	417 243	399 434
– Movement in deferred tax asset	(28 391)	(20 560)
– Movement in deferred tax liabilities	(5 168)	805
Closing balance – net of receivables and payables	38 499	(424)
Income tax paid	**422 607**	**536 257**

28 EARNINGS PER SHARE

The calculation of basic earnings per share is based on after taxation earnings attributable to ordinary shareholders and the weighted average number of shares in issue during the period as follows:

	31 December 2021 P'000	31 December 2020 P'000
Earnings attributable to ordinary equity holders of the parent	**671 554**	**575 718**
Weighted number of shares:		
At beginning of year	2 128 295	2 124 991
Effect of shares issued (31 December 2021 – 5,348 million shares; 31 December 2020 – 4,483 million shares)	4 513	3 304
Weighted number of shares at end of year	2 132 808	2 128 295
Basic earnings per share (thebe)	**31.5**	**27.1**
The calculation of diluted earnings per share is based on after taxation earnings attributable to ordinary shareholders and the weighted average number of shares in issue during the year, adjusted for the effects of dilutive potential ordinary shares as follows:		
Weighted number of shares:		
Weighted number of shares at end of year	2 132 808	2 128 295
Dilution effect – number of shares (refer to Note 21)	149 028	177 433
	2 281 836	2 305 728
Diluted earnings per share (thebe)	**29.4**	**25.0**

28.1 Headline earnings per share

Headline earnings per share is calculated based on offsetting once off specific provisions. Refer to the Group's calculations below:

31 December 2021	**Gross**	**Tax**	**Net**
Earnings attributable to ordinary equity holders of the parent	**–**	**–**	**671 554**
Disposal and write-off of plant and equipment	2 324	(697)	1 627
Disposal and write-off of intangible assets	138	(41)	97
Headline earnings	**2 462**	**(738)**	**673 278**
Headline earnings per share (thebe)			**31.6**
Diluted headline earnings per share (thebe)			**29.5**

There was no impact on non-controlling interest on headline earnings for the year ended 31 December 2021.

31 December 2020	Gross	Tax	Net
Earnings attributable to ordinary equity holders of the parent	**–**	**–**	**575 718**
Disposal and write-off of plant and equipment	683	(205)	478
Headline earnings	**683**	**(205)**	**576 196**
Headline earnings per share (thebe)			27.1
Diluted headline earnings per share (thebe)			25.0

There was no impact on non-controlling interest on headline earnings for the year ended 31 December 2020.

	31 December 2021 P'000	31 December 2020 P'000
29 DIVIDEND PAID		
Previous year final dividend paid during the year	177 049	163 624
Interim dividend paid	155 842	83 018
Total dividend paid to equity holders	**332 891**	**246 642**
Dividends per share: Interim (thebe) – paid	7.3	3.9
: Final (thebe) – proposed	9.7	8.3

30 SEGMENT INFORMATION

Following the introduction of the management approach of IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Group Chief Executive Officer (the Chief Operating Decision-Maker), who is responsible for allocating resources to the reportable segments and assessing performance. Operating segments are reviewed and reported geographically to the CODM. All reported segments used by the Group meet the definition of a reportable segment.

The Group operates in eleven countries, namely Botswana, Namibia, Mozambique, Lesotho, Eswatini, Kenya, Rwanda, Uganda, Tanzania, Nigeria, Ghana and offering Deduction at source (DAS), MSE and Informal loans to its customers. There were no changes in the reportable segments during the year.

The performance of the Holding Company is evaluated using proportionate consolidation and its financing and its income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arms-length basis in a manner similar to transactions with third parties. No operating segments have been aggregated to form the following reportable operating segments:

30.1 Reportable segments

31 December 2021	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Eswatini P'000
Operating income	**679 181**	**538 209**	**414 016**	**89 916**	**88 414**
Profit/(loss) before taxation	**495 615**	**331 030**	**284 717**	**47 613**	**30 103**
Taxation – consolidated					
Profit – consolidated					
Gross Advances to customers	3 026 111	3 198 250	1 789 702	352 248	527 761
Impairment provisions	(106 595)	(34 463)	(19 350)	(21 680)	(39 191)
Net Advances	**2 919 516**	**3 163 787**	**1 770 352**	**330 568**	**488 570**
Total assets	**3 363 272**	**4 087 930**	**2 074 472**	**384 151**	**522 744**
Borrowings	**1 389 936**	**1 488 326**	**269 826**	**77**	**138 240**
Total liabilities	**1 688 902**	**1 957 440**	**901 509**	**9 395**	**148 063**

31 December 2020	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Eswatini P'000
Operating income	**652 661**	**489 087**	**314 075**	**85 240**	**77 949**
Profit/(loss) before taxation	**471 412**	**333 581**	**197 177**	**60 845**	**29 992**
Taxation – consolidated					
Profit – consolidated					
Gross Advances to customers	2 937 130	2 714 213	1 268 176	428 787	514 252
Impairment provisions	(110 884)	(42 871)	(24 127)	(19 314)	(22 609)
Net Advances	**2 826 246**	**2 671 342**	**1 244 049**	**409 473**	**491 643**
Total assets	**2 990 027**	**3 253 380**	**1 470 446**	**418 628**	**524 822**
Borrowings	**1 257 184**	**1 076 369**	**199 468**	**245 757**	**319 341**
Total liabilities	**1 376 416**	**1 333 001**	**604 966**	**258 504**	**332 572**

	Kenya P'000	Rwanda P'000	Uganda P'000	Tanzania P'000	Nigeria P'000	Ghana P'000	Holding company or eliminations P'000	Total P'000
	139 548	**8 604**	**159 364**	**140 382**	**73 916**	**233 885**	**(218 677)**	**2 346 758**
	149 352	**361**	**52 915**	**15 171**	**6 252**	**95 968**	**(362 353)**	**1 146 744**
								(417 243)
								729 501
	666 612	59 648	478 787	467 618	174 259	1 698 304	–	12 439 300
	(49 056)	(3 063)	(30 682)	(49 632)	(30 784)	(179 209)	–	(563 705)
	617 556	**56 585**	**448 105**	**417 986**	**143 475**	**1 519 095**	**–**	**11 875 595**
	774 337	**87 122**	**503 703**	**589 318**	**178 903**	**2 312 965**	**1 180 524**	**16 059 441**
	404 207	**–**	**201 042**	**–**	**–**	**1 246 823**	**2 242 291**	**7 380 768**
	463 386	**26 322**	**216 161**	**79 702**	**63 803**	**2 074 245**	**2 924 511**	**10 553 439**

	Kenya P'000	Rwanda P'000	Uganda P'000	Tanzania P'000	Nigeria P'000	Ghana P'000	Holding company or eliminations P'000	Total P'000
	159 475	**6 112**	**134 659**	**145 826**	**61 892**	**187 040**	**(169 133)**	**2 144 883**
	60 803	**614**	**21 669**	**64 682**	**5 935**	**115 732**	**(332 135)**	**1 030 307**
								(399 434)
								630 873
	737 442	33 309	418 300	459 312	151 564	1 077 036	–	10 739 521
	(137 564)	(2 637)	(39 109)	(44 491)	(20 110)	(114 271)	–	(577 987)
	599 878	**30 672**	**379 191**	**414 821**	**131 454**	**962 765**	**–**	**10 161 534**
	714 571	**54 682**	**445 039**	**583 025**	**167 920**	**1 213 506**	**390 159**	**12 226 205**
	372 997	**12 696**	**291 989**	**18 234**	**1 860**	**683 704**	**1 169 962**	**5 649 561**
	504 844	**34 070**	**309 802**	**112 469**	**62 515**	**1 048 203**	**1 459 267**	**7 436 629**

30 SEGMENT INFORMATION (continued)

30.2 Disaggregated revenue information

31 December 2021	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Eswatini P'000
Interest income at effective interest rate	711 832	453 990	507 471	117 931	107 812
Interest expense at effective interest rate	(125 822)	(90 842)	(138 165)	(22 756)	(29 604)
Other interest expense	(12 161)	(64)	(3 026)	(5 342)	(1 170)
Net interest income	**573 850**	**363 084**	**366 280**	**89 832**	**77 038**
Fee and commission income	–	4 778	28 439	–	–
Other operating income	105 331	171 371	21 268	84	11 376
Operating income	**679 181**	**539 234**	**415 988**	**89 916**	**88 414**
31 December 2020					
Interest income at effective interest rate	700 749	439 348	421 610	112 479	90 815
Interest expense at effective interest rate	(106 922)	(71 749)	(141 691)	(27 488)	(32 980)
Other interest expense	(2 463)	(1 201)	(3 548)	(257)	(570)
Net interest income	**591 364**	**366 398**	**276 371**	**84 733**	**57 265**
Fee and commission income	–	101	23 319	–	–
Other operating income	61 297	123 315	14 385	507	20 684
Operating income	**652 661**	**489 814**	**314 075**	**85 240**	**77 949**

Kenya P'000	Rwanda P'000	Uganda P'000	Tanzania P'000	Nigeria P'000	Ghana P'000	Holding company or eliminations P'000	Total P'000
171 827	10 591	182 005	130 193	76 960	750 534	(110 636)	**3 110 511**
(55 786)	(2 186)	(34 620)	(612)	(3 913)	(546 625)	(68 176)	**(1 119 108)**
(1 293)	(792)	7 769	3 547	313	(9 164)	8 814	**(12 569)**
114 747	**7 613**	**155 154**	**133 128**	**73 360**	**194 745**	**(169 998)**	**1 978 834**
12 050	269	–	139	556	37 450	–	**83 681**
12 751	722	4 209	10 569	–	1 690	(55 129)	**284 243**
139 548	**8 604**	**159 364**	**143 836**	**73 916**	**233 885**	**(225 126)**	**2 346 758**
175 141	9 491	171 367	140 881	60 240	474 637	(84 479)	**2 712 278**
(48 959)	(2 884)	(37 607)	(7 521)	640	(298 265)	(43 899)	**(819 324)**
(1 217)	(787)	(1 802)	(1 124)	20	(5 819)	(12 872)	**(31 640)**
124 965	**5 819**	**131 958**	**132 235**	**60 900**	**170 554**	**(141 249)**	**1 861 314**
27 837	(96)	–	4 263	989	14 620	–	**71 033**
6 674	390	2 701	9 327	3	1 867	(28 613)	**212 536**
159 475	**6 112**	**134 659**	**145 826**	**61 892**	**187 040**	**(169 862)**	**2 144 883**

31 RELATED PARTY TRANSACTIONS

Relationships:

Letshego Holdings Limited	Parent Company
Subsidiaries	Refer to note 34

The Group identifies a related party if an entity or individual:

- directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the entity (this includes parent companies and subsidiaries);
- has an interest in the entity whether it gives it significant control or not;
- has control over the entity;
- is an associate company, joint venture or is jointly controlled; or
- is a member of key management personnel of the Group. Key management personnel comprise the executive directors.

31.1 Related party transactions

The Company, 'Letshego Holdings Limited' is listed on the Botswana Stock Exchange. The Group partnered with Sanlam (SEM) to be its preferred insurance provider by offering innovative stand-alone and embedded insurance solution. Sanlam owns 58% of Botswana Insurance Holdings Limited (BIHL), which is a shareholder of Letshego Holdings Limited and there were no transactions with BIHL. However, loans and advances of Letshego Financial Services Botswana (Pty) Ltd are insured through Botswana Life Insurance Limited, which is a subsidiary of BIHL and no commission is earned.

Letshego Holdings Limited also provides guarantees to its subsidiary companies for purposes of credit enhancement as collateral for borrowings entered into by the subsidiaries. Refer to Note 18 for details of loan guarantees that were in place as at the reporting date.

	31 December 2021 P'000	31 December 2020 P'000
31.2 Compensation paid to key management personnel (executive directors)		
Paid during the period:		
– Short-term employee benefits	7 978	9 270
	7 978	**9 270**
A total of 7,840,198 ordinary shares, at an exercise value of BWP5.9 million, were granted to Executive Directors in terms of the Long-Term Incentive Scheme (LTIP) for the 31 December 2021 financial year (2020: nil).		
32 CAPITAL COMMITMENTS		
Authorised by the directors:		
– Not contracted for	**311 169**	**188 988**

P121.7 million of the P311 million Capital Commitments for the following year relates to expenditure earmarked for the Group's internally developed digital retail financial services platform. The above commitments are wholly in respect of capital expenditure and funds to meet these will be provided from the Group's internal resources.

33 SUBSEQUENT EVENTS

Dividend declaration

A second and final dividend of 9.7 thebe per share (prior year: 8.3 thebe per share) was declared on 26 February 2022 and will be paid on or about 31 May 2022.

Outlook post year-end

COVID-19 PANDEMIC

Improved distribution of vaccines and boosters across most Sub-Saharan Africa markets has enabled economies to maintain relative levels of resilience and maintain open and active markets to support economic recoveries. Letshego has evolved its Pandemic Response Plan by providing support for the initiatives that delivered vaccines to all its employees, as well as creating a safe and healthy working environment by mandating that all on-premises employees are vaccinated.

From a macroeconomic perspective, Sub-Saharan Africa is on baseline basis, expected to continue on an economic recovery trajectory in 2022. However, the pace of economic recovery will be slower in the near-term as recurring pandemic waves disrupt domestic activity, supply chain bottlenecks continue, and debt burden increase. Elevated geopolitical tensions globally do pose material downside risks to the global economic prospects generally, with pronounced impact on commodity dependent Sub-Saharan Africa economies. Inflation pressure, prevailing since 2020 is expected to continue through to the first half of 2022. We expect Governments to review monetary policies to stem inflation. Policy rates are expected to rise in 2022, with currencies under pressure in the near term. The Group remains alert to the fluidity of the macro economic environment and continues to effect forward-looking management actions.

IMPACT OF RUSSIA-UKRAINE WAR

The ongoing Russia and Ukraine conflict poses significant downside-risk to Global economic prospects for 2022 and 2023. The Group assumes a scenario of a lengthy conflict and resultant international response lasting more than six months from the onset of the conflict. In this scenario, the Group identifies an energy and commodity crisis, food insecurity, aggravated supply chain bottlenecks and heightened risk of cyber war as the immediate ramification of the conflict. Global GDP growth is likely to weaken by at least three percentage points below the baseline forecast for 2022 and only likely to pick up baseline growth trend in the fourth quarter of 2023. Sub Saharan Africa, already trailing global GDP growth since 2021, is also expected to record a disrupted growth momentum in 2022 into 2023 with contraction of at least two percentage points off the baseline forecasts. Beyond an energy and commodity crisis, the Group expects costs of agricultural inputs such as fertilizers to rise significantly, potentially severing Agricultural production for Sub-Saharan Africa economies that are agriculture driven. Commodity exporting countries in Sub-Saharan Africa countries may become alternative supply sources for Oil & Gas and metals during the period of the conflict, but the impact may not be fully offset by the overall stressed global trading conditions and expected run-away inflation.

The Group is closely monitoring the stress scenario and constantly simulating impact on its strategy for proactive management response as the conflict evolves.

34 INVESTMENTS IN SUBSIDIARY COMPANIES

The Group determines control over any operating entity largely by virtue of power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power over the investee to effect the amount of the investor's returns. Details of subsidiaries of the Group are shown below:

Subsidiary company	Country of incorporation	Nature of business	31 December 2021 % holding	31 December 2020 % holding
Letshego Financial Services (Proprietary) Limited	Botswana	Unsecured consumer lending	100	100
Letshego Ghana (Plc)	Ghana	Unsecured consumer lending and deposit licensed	100	100
Letshego Kenya Limited	Kenya	Group lending, MSE and unsecured consumer lending	100	100
Letshego Financial Services Lesotho	Lesotho	Unsecured consumer lending	95	95
Letshego Financial Services Mozambique, SA	Mozambique	Unsecured consumer lending and deposit licensed	98	98
Letshego Holdings Namibia Limited	Namibia	Unsecured consumer lending and deposit licensed	78	78
ERF 8585 (Pty) Limited	Namibia	Property	100	100
Letshego Microfinance Bank Nigeria (Proprietary) Limited	Nigeria	Unsecured consumer lending and deposit licensed	100	100
Letshego Financial Services Swaziland Limited	Eswatini	Unsecured consumer lending	85	85
Letshego Tanzania Limited (Faidika)	Tanzania	Unsecured consumer lending	100	100
Letshego Bank (Tanzania) Limited	Tanzania	Unsecured consumer lending and deposit licensed	100	100
Letshego Uganda Limited	Uganda	Unsecured consumer lending	85	85
Letshego South Africa Limited	South Africa	Support services	100	100
Letshego Mauritius Limited	Mauritius	Unsecured consumer lending and deposit licensed	100	100

Group Structure

The Group has an intermediate holding company structure in Mauritius and will continue to explore its ownership structure over the years. This does not result in any change in the ultimate ownership of the subsidiaries, it will however allow for a more tax efficient movement of dividends within the Group.

34 INVESTMENTS IN SUBSIDIARY COMPANIES (continued)

34.1 Non-controlling interest (NCI)

Set out below is summarised financial information for Letshego Holdings Namibia Limited, which has a material non-controlling interest to the Group. The amounts disclosed are before inter-company elimination and will not reconcile back to the segment report (Note 30) since it includes an investment property in Namibia.

	31 December 2021 P'000	31 December 2020 P'000
Summarised statement of financial position		
Assets	4 068 106	3 182 318
Liabilities	2 070 605	1 558 691
Net assets	**1 997 501**	**1 623 627**
Accumulated non-controlling interest	**390 119**	**373 881**
Summarised statement of profit or loss and other comprehensive income		
Revenue	630 141	497 570
Profit for the year	226 791	233 849
Profit allocated to non-controlling interest	**49 894**	**52 766**
Dividends paid to non-controlling interest	**31 755**	**16 542**
Summarised statement of cash flows		
Cash flows from operating activities	(527 593)	(60 046)
Cash flows used in investing activities	(6 496)	(2 172)
Cash flows from financing activities	400 637	298 131
	(133 452)	**235 913**

Non-controlling interest in the below markets are not material to the Group and their carrying values were as follows:

	31 December 2021 P'000	31 December 2020 P'000
Non-controlling interest		
Letshego Financial Services Lesotho	6 920	8 005
Letshego Financial Services Mozambique, SA	2 674	1 512
Letshego Financial Services Swaziland Limited	28 780	28 732
Letshego Uganda Limited	10 659	5 689
	49 033	**43 938**
Total accumulated non-controlling interest	**439 152**	**417 819**

SIGNIFICANT RESTRICTIONS

The Group does not have significant restrictions on its ability to access or use its assets to settle liabilities.

35 INVOLVEMENT WITH UNCONSOLIDATED ENTITIES

The table below shows the types of entities that the Group does not consolidate but in which it holds an interest:

Type	Nature and purpose	Interest held by the Group
Comprehensive insurance through cell captive arrangement ("cell captive")	To mitigate against the Group's credit risk in Mozambique and Namibia	The cell captive declares a profit share to Mozambique and Namibia

	31 December 2021 P'000	31 December 2020 P'000
Total assets	218 201	145 897
Total liabilities	95 288	56 295
Net assets	**122 913**	**89 602**

The cell captive is not consolidated as the Group does not have control over these entities. The net assets of the cell captive are included as part of other receivables ("receivable from insurance arrangements") and payables (insurance premium payable) as disclosed in Note 6 and Note 16, respectively. There are no significant risks, nor expected changes therein, associated with the Group's interest in the cell captive.

36 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

As at 31 December 2021	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and cash equivalents	1 413 500	–	1 413 500
Investment in securities	–	859 496	859 496
Advances to customers	1 856 917	10 018 678	11 875 595
Other receivables	413 411	–	413 411
Financial assets at fair value through profit or loss	370 433	455 659	826 092
Financial assets at fair value through other comprehensive income	71 499	–	71 499
Income tax receivable	134 767	–	134 767
Property and equipment	–	172 822	172 822
Right-of-use assets	–	98 756	98 756
Intangible assets	–	30 040	30 040
Goodwill	–	67 715	67 715
Deferred tax assets	–	95 748	95 748
Total assets	**4 260 527**	**11 798 914**	**16 059 441**
Liabilities			
Financial liabilities at fair value through profit or loss	362 599	446 022	808 621
Customer deposits	979 847	195 739	1 175 586
Cash collateral	21 522	–	21 522
Trade and other payables	965 860	–	965 860
Lease liabilities	20 901	78 745	99 646
Income tax payable	96 268	–	96 268
Borrowings	6 259 429	1 121 339	7 380 768
Deferred tax liabilities	–	5 168	5 168
Total liabilities	**8 706 426**	**1 847 013**	**10 553 439**
Net	**(4 445 899)**	**9 951 901**	**5 506 002**

36 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

As at 31 December 2020	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and cash equivalents	1 043 864	–	1 043 864
Advances to customers	853 481	9 308 053	10 161 534
Other receivables	263 202	–	263 202
Financial assets at fair value through profit or loss	140 804	–	140 804
Financial assets at fair value through other comprehensive income	59 408	–	59 408
Income tax receivable	102 633	–	102 633
Property and equipment	–	94 229	94 229
Right-of-use assets	–	131 703	131 703
Intangible assets	–	39 091	39 091
Goodwill	–	65 598	65 598
Deferred tax assets	–	124 139	124 139
Total assets	**2 463 392**	**9 762 813**	**12 226 205**
Liabilities			
Financial liabilities at fair value through profit or loss	152 855	–	152 855
Customer deposits	664 393	–	664 393
Cash collateral	18 838	–	18 838
Trade and other payables	714 548	–	714 548
Lease liabilities	38 208	95 169	133 377
Income tax payable	103 057	–	103 057
Borrowings	4 298 312	1 351 249	5 649 561
Deferred tax liabilities	–	–	–
Total liabilities	**5 990 211**	**1 446 418**	**7 436 629**
Net	**(3 526 819)**	**8 316 395**	**4 789 576**

GROUP VALUE ADDED STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	31 December 2021 P'000	31 December 2020 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	**3 110 511**	**2 712 278**
Cost of services	(1 131 677)	(850 964)
Value added services	1 978 834	1 861 314
Fee and commission income	83 681	71 033
Other operating income	284 243	212 536
Other operating costs	(621 775)	(545 500)
Impairment of advances	17 196	(25 771)
	1 742 179	**1 573 612**
Value allocated		
To employees		
Staff costs	546 241	493 497
To expansion and growth		
Retained income	396 610	384 231
Depreciation	35 406	35 406
Amortisation	13 788	14 402
Deferred tax	33 559	–
	479 363	**434 039**
To Government		
Taxation	383 684	399 434
To providers of capital		
Dividends to shareholders	332 891	246 642
	1 742 179	**1 573 612**
Summary	**%**	%
Employees	31.4	31.4
Expansion and growth	27.5	27.6
Government	22.0	25.4
Providers of capital	19.1	15.7
	100.0	**100.0**

FIVE YEAR FINANCIAL HISTORY

STATEMENTS OF FINANCIAL POSITION

	2021 December P'000	2020 December P'000	Restated 2019 December P'000	Restated 2018 December P'000	2017 December P'000
Assets					
Cash and cash equivalents	**1 413 500**	1 043 864	1 035 513	1 188 402	492 367
Investment in securities	**859 496**	–	–	–	–
Advances to customers	**11 875 595**	10 161 534	9 071 484	8 698 831	7 768 904
Other receivables	**413 411**	263 202	247 996	252 491	201 605
Income tax receivable	**826 092**	140 804	–	–	17 967
Financial assets at fair value through profit or loss	**71 499**	59 408	53 591	53 591	–
Financial assets at fair value through other comprehensive income	**134 767**	102 633	82 741	44 829	53 591
Property and equipment	**172 822**	94 229	99 671	80 532	92 061
Right-of-use assets	**98 756**	131 703	61 436	–	–
Intangible assets	**30 040**	39 091	45 221	45 488	55 340
Goodwill	**67 715**	65 598	68 233	106 229	122 280
Deferred tax assets	**95 748**	124 139	144 699	201 088	156 655
Total assets	**16 059 441**	**12 226 205**	**10 910 585**	**8 960 770**	**7 821 786**
Liabilities					
Financial liabilities at fair value through profit or loss	**808 621**	152 855	15 390	13 902	–
Customers deposits	**1 175 586**	664 393	426 673	497 718	228 432
Cash collateral	**21 522**	18 838	21 721	27 028	27 319
Trade and other payables	**965 860**	714 548	553 772	492 584	261 751
Lease liabilities	**99 646**	133 377	64 760	–	–
Income tax payable	**96 268**	103 057	239 743	232 132	182 879
Borrowings	**7 380 768**	5 649 561	4 966 785	5 315 417	3 984 607
Deferred tax liabilities	**5 168**	–	805	3 205	5 290
Total liabilities	**10 553 439**	**7 436 629**	**6 289 649**	**4 690 278**	**4 690 278**
Shareholders' equity					
Stated capital	**882 224**	872 169	862 621	862 621	849 845
Foreign currency translation reserve	**(557 341)**	(885 673)	(675 885)	(653 010)	(680 417)
Legal reserve	**265 244**	214 835	195 793	73 519	39 607
Fair value adjustment reserve	**15 248**	5 817	–	–	–
Share based payment reserve	**39 907**	31 295	24 304	18 089	38 840
Retained earnings	**4 421 568**	4 133 314	3 823 280	3 454 814	3 709 308
Total equity attributable to equity holders of the company	**5 066 850**	**4 371 757**	**4 230 114**	**3 957 183**	**3 693 353**
Non-controlling interests	**439 152**	417 819	390 823	333 462	313 309
Total shareholders' equity	**5 506 002**	**4 789 576**	**4 620 936**	**4 290 645**	**4 006 662**
Total equity and liabilities	**16 059 441**	**12 226 205**	**10 910 585**	**8 980 923**	**8 696 940**

FIVE YEAR FINANCIAL HISTORY *continued*

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2021 December P'000	2020 December P'000	Restated 2019 December P'000	Restated 2018 December P'000	2017 December P'000
Interest income at effective interest rate	3 110 511	2 712 278	2 974 839	2 718 257	2 252 636
Interest expense	(1 131 677)	(850 964)	(923 814)	(709 558)	(470 630)
Net interest income	**1 978 834**	**1 861 314**	**2 051 025**	**1 782 006**	**1 610 767**
Fee and commission income	83 681	71 033	59 451	30 735	38 596
Other operating income	284 243	212 536	273 018	267 421	234 169
Total income	**2 346 758**	**2 144 883**	**2 383 494**	**2 054 771**	**1 845 108**
Employee benefits	(546 241)	(493 497)	(454 023)	(390 177)	(367 057)
Other operating costs	(670 969)	(595 308)	(622 737)	(589 996)	(446 952)
Operating income before impairment	**1 129 548**	**1 056 078**	**1 306 734**	**1 240 762**	**1 128 219**
Expected credit losses/impairment expense	17 196	(25 771)	(169 101)	(361 491)	(237 149)
Operating income before taxation	**1 146 744**	**1 030 307**	**1 137 633**	**1 003 613**	**947 570**
Taxation	(417 243)	(399 434)	(411 295)	(495 091)	(322 367)
Profit for the year	**729 501**	**630 873**	**726 338**	**681 246**	**610 070**
Appropriations					
Dividends	(332 891)	(246 642)	(161 499)	(463 289)	(321 607)
Retained income	**396 610**	**384 231**	**564 839**	**217 957**	**288 463**
Attributable to:					
Equity holders of the parent company	671 554	575 718	652 239	604 481	566 487
Non-controlling interests	57 947	55 155	74 099	76 765	43 583
	729 501	**630 873**	**726 338**	**681 246**	**610 070**

The supplementary information presented does not form part of the annual financial statements of the Group, and is, therefore, unaudited.

ANALYSIS OF SHAREHOLDING
FOR THE YEAR ENDED 31 DECEMBER 2021

Top ten shareholders		**31 December 2021 Shares held Number ('000)**	**%**
• Botswana Life Insurance Limited	Non Public	597 235	27.86%
• Vunani Fund Managers – BPOPF	Public	252 169	11.76%
• BIFM BPOPF – Active Members And Deffered Pensioners	Public	217 994	10.17%
• ADP I Holding 2	Non Public	180 484	8.42%
• Hitesh Natwarlal Anadkat	Non Public	63 053	2.94%
• SCBN (Pty) Ltd Re: Citi 024/76 Kuwait Inv Authority	Public	56 183	2.62%
• Morula Capital Partners – BPOPF WT PRO PORT	Public	55 993	2.61%
• Business Doctor Investment Limited	Non Public	51 339	2.39%
• BIFM Professional Local Equity Fund	Public	38 469	1.79%
• BIFM Market Linked Fund	Public	36 281	1.69%
Top 10 Total		**1 549 200**	**72.26%**
Other shareholders		585 622	27.31%
Treasury shares		9 223	0.43%
Total LHL Shareholders		**2 144 045**	**100%**

Top ten shareholders		31 December 2020 Shares held Number ('000)	%
• Botswana Life Insurance (Pty) Ltd	Non Public	597 236	27.9
• African Alliance	Public	293 820	13.7
• Botswana Insurance Fund Management Limited (BIFM)	Public	274 698	12.8
• ADP I Holding 2	Non Public	180 484	8.4
• Allan Gray	Public	88 763	4.1
• Investec	Public	66 163	3.1
• Standard Chartered Bank of Botswana Nominees (Pty) Ltd – Kuwait Investment Authority	Public	47 870	2.2
• Business Doctor Investment Limited	Non Public	47 684	2.2
• The Bank of New York Mellon	Non Public	44 480	2.1
• Hitesh Anadkat	Non Public	39 885	1.9
		1 681 083	**78.4**
Other corporate entities, nominees and trusts and individuals		448 391	22.8%
Treasury shares		14 571	0.4%
		2 144 045	**100%**

Shareholding, public vs non-public – December 2021

Name	31 December 2021 Shares held Number ('000)	%
Total public shareholders	1 527 458	71.24
Total non-public shareholders	616 587	28.76
Total shareholders	**2 144 045**	**100.0**

Directors' shareholdings	31 December 2021 Shares held Number ('000)	%	31 December 2020 Shares held Number ('000)	%
• Hannington Karuhanga	29	0.0	29	0.0
	29	**0.0**	**29**	**0.0**

Criteria:

PUBLIC SHAREHOLDER

For the purposes of these Requirements, securities of a listed company will not be regarded as being held by a public shareholder if they are beneficially held, whether directly or indirectly held by:

a) Its parent or associate companies or any subsidiaries or associates of its parent company; and,
b) Its directors who are holding office as directors of the company, their spouses, children and dependents; and
c) Key persons and their spouses, children and dependents; and
d) Any single shareholder who holds 10% or more of the shares,
e) Any party acting in concert with the parties set out in (a) to (d) above;
f) Any entity holding 10% or more of the shares of a listed company except where such shareholder is:
   (i) a Pension fund regulated by NBFIRA;
   (ii) an entity established under the Collective Investment Undertakings Act or any other listed investment fund regulated by NBFIRA; or
   (iii) a registered holder of securities which are the subject of an Exchange Traded Fund or depository receipt programme listed on the Botswana Stock Exchange.

The exemptions above will only be valid provided such entities do not act in concert with any other.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 23rd Annual General Meeting of the Shareholders of Letshego Holdings Limited ("the Company") will be held via Conference Call on Thursday 23 June 2022 at 14h30 GMT+2 (Botswana Time).

The meeting will only be accessible through electronic participation due to the impact of the COVID-19 pandemic, resultant health distancing requirements and the restrictions placed on public gatherings.

The Annual General Meeting Notice and Proxy will be published and disseminated to all shareholders no later than 02 June 2022. For any queries, please feel free to email the Group Company Secretariat on GroupCompanySecretary@letshego.com

ABBREVIATIONS

AI	Artificial Intelligence
AGF	African Guarantee Fund
ALM	Assets and Liabilities Management
AML	Anti-Money Laundering
API	Application Programming Interface
AU	African Union
BASE	Basel Agency for Sustainable Energy
BEPS	Base Erosion and Profit Sharing
BSE	Botswana Stock Exchange
BURS	Botswana United Revenue Services
CFR	Corporate Family Rating
COVID	Corona Virus Disease
DAS	Deduction at Source
DFI	Development Finance Institution
DPI	Development Partners International
DQ	Digital Quotient
DSAs	Direct Sales Agents
EAC	Enterprise Active Customers
ECL	Expected Credit Losses
ECWAS	Economic Community of West African States
ESG	Environmental, Social, Governance
ETR	Effective Tax Rate
EVP	Employee Value Proposition
FVOCI	Fair Value through Other Comprehensive Income
GCPF	Global Climate Partnership Fund
GDP	Gross Domestic Product
GIA	Group Internal Audit
GIBS	Gordon Institute of Business Science
GRI	Global Reporting Initiative
ICT	Information and Communications Technology
IFC	International Finance Corporation
IIA	Institute of Internal Audit
IIRC	International Integrated Reporting Framework
King IV	King Code of Governance Principles for South Africa
LGD	Loss Given Default
ML	Machine Learning
MSE	Micro and Small Entrepreneurs
NPLs	Non-Performing Loans
OECD	Organisation for Economic Cooperation and Development
OKR	Objectives and Key Results
P&C	People and Culture
PBT	Profit Before Tax
ROE	Return on Equity
RPA	Robotic Process Automation
SADC	Southern African Development Community
SAFe	Scaled Agile Framework
SDGs	Social Development Goals
TAT	Turn Around Time
TOM	Target Operating Model
UNPRI	United Nations Principles of Responsible Investment
USSD	Unstructured Supplementary Service Data

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