Letshego

LETSHEGO HOLDINGS LIMITED

Group Interim Results June 2023

# Fact Sheet

# Reviewed consolidated **financial results**

for the half year ended 30 June 2023

The Board of Directors of Letshego Holdings Limited ("the Group"/"Letshego Africa") herewith presents an extract of the reviewed consolidated financial results for the half year ended 30 June 2023.

## Interim Results 2023 - Performance Highlights

**Profit before taxation and foreign exchange gain**

4%

H1 2023: P417 million
H1 2022: P400 million

**Growth in net advances**

5%

H1 2023: P12.8 billion
H1 2022: P12. 2 billion

### LetsGo borrow

**Growth in DAS revenue**

6%

H1 2023: P1.25 billion
H1 2022: P1.17 billion

**Growth in Gross Mobile lending Income**

44%

H1 2023: P61.7 million
H1 2022: P42.9 million

### LetsGo insure

**Growth in Insurance income**

33%

H1 2023: P146 million
H1 2022: P109 million

### LetsGo save

**Total deposit growth**

15%

H1 2023: P1.34 billion
H1 2022: P1.16 billion

**Retail segment deposit growth**

10%

H1 2023: P643 million
H1 2022: P587 million

GROSS MOBILE LOAN INCOME
(P Millions)


RESILLIENCE CORE BUSINESS - DEDUCTION AT SOURCE INCOME
(P Millions)


INSURANCE INCOME
(P Millions)


OPERATING EXPENSES
(P Millions)

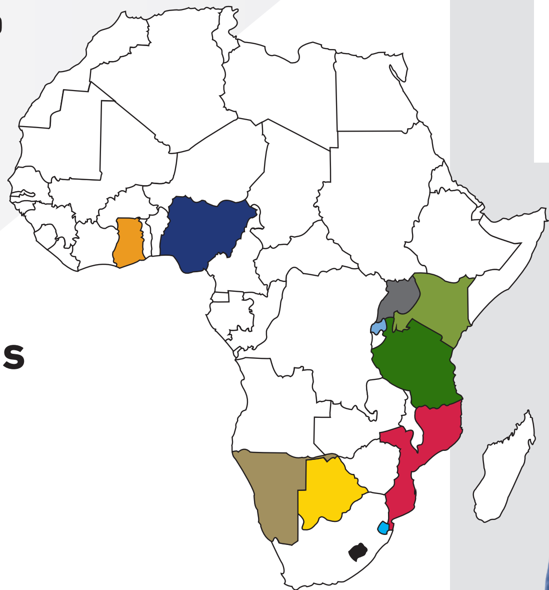
## East & West markets

Local Currency profit before tax gains

| Tanzania Faidika | Rwanda | Uganda | Ghana |
|---|---|---|---|
| 123% yoy | 90% yoy | 24% yoy | 17% yoy |

Local Currency loan book growth

| Rwanda | Uganda |
|---|---|
| 53% yoy | 25% yoy |



## Southern markets

Profit before tax

| Mozambique | Eswatini |
|---|---|
| 65% yoy | 23% yoy |

Net interest income

| Mozambique |
|---|
| 8% yoy |

Advances on instant loans

| Eswatini | Botswana |
|---|---|
| 86% yoy | 10% yoy |

**PHILIP ODERA**
**CHAIRMAN**
**LETSHEGO HOLDINGS LIMITED**

"As we continue on our 6-2-5 journey, I am pleased that the business is supporting our ESG agenda and making a positive difference in enabling our customers to access financial services and improve their financial wellbeing. From our recently completed Impact Survey, 60% of loans are given to women while 82% of the respondents reported an improvement to their lives."

**AUPA MONYATSI**
**GROUP CHIEF EXECUTIVE**

"Our turnaround strategy which we announced at the beginning of the year is putting the business on a solid footing in East and West Africa markets and the resilience is evident. We are proud of the year-on-year local currency Profit before tax growth in Rwanda (90%), Tanzania Faidika (123%), Ghana (17%) and Uganda (24%). In Tanzania we successfully completed the amalgamation of our two businesses and see a strong future in that market"

# **Executive** summary

Sub Saharan Africa economies continued on the recovery path in the first half of the year. Economic recovery in most of our markets was slower than 2022 and growth is expected to taper down to 3.5% in 2023 before rebounding to 4.1% in 2024. Inflation rates eased in all our markets except in Nigeria where there was a further inflationary flare up that was a consequence of the removal of fuel subsidy and exchange rate liberalization.

Policy tightening continued in the first half, with monetary policy rates either increasing or remaining flat by June 2023 relative to start of the year. Currencies were under pressure; with Nigeria and Kenya recording material depreciation in the period. Currencies across our markets are projected to weaken further in 2023 and will remain sensitive to external global events.

Letshego's business remained resilient in the face of continued pressure from challenging macro-economic conditions across Sub-Saharan Africa, mirroring global challenges that persisted from 2022 into the first half of this year. Letshego's Transformation Strategy is well underway, with a strong balance sheet driven by a 5% increase in net loans and advances and well diversified funding. Notwithstanding macro-economic headwinds, the Group closed the half with a solid cash position.

Interest income from advances and Interest income from mobile lending grew by 6% and 42% respectively year on year, although the increasing interest rate environment dampened Net Interest Income. Performance was however buoyed by insurance income that grew 33% year on year, supporting the Group's Non Funded Income performance. Letshego has reduced its cost base by 5% year on year through improved efficiencies, targeted cost rationalisation initiatives and implementation of the business' automation and tech focused 'Target Operating Model'.

Profit before tax declined 7% year on year to P417 million (H1: 2022: P446 million). Although Profit before tax was down 7%, Profit before tax and foreign exchange gain was up 4% year on year. Performance in the first half of last year was boosted by a P47million exchange gain compared to P1.1 million gain in the current half year period. The Group has seen volatile currency movements in this first half, more specifically in Nigeria and Ghana. The impact of this volatility for these two markets, was a P14 million foreign exchange loss compared to a P23 million foreign exchange gain in the first half of 2022. Management continues to leverage treasury solutions and tools, including hedging to mitigate foreign currency risk. Profit after tax reduced 12% year-on-year to P219 million (H12022: P248 million).

Significant progress was made within the Turn Around Market cluster of markets (Kenya, Tanzania, Rwanda, Nigeria and Ghana) during the first half of the year, despite volatilities in exchange rates in some of these markets. Key focus areas prioritised for Turn Around Markets to boost business fundamentals include people, distribution model, product selection and product relevance. Additionally, the Group accelerated the establishment and deepening of strategic partnerships, reaping benefits for Nigeria, Kenya and Tanzania and increasing customer access to scalable customer ecosystems. Through like-minded partnerships Letshego has deployed appropriate inclusive products in insurance, Instant Loans and payments, this in line with Plan 5 targets set out within our 6-2-5 execution roadmap. The first half of the year also saw encouraging early indications, with the Turn Around Market cluster's overall Cost to Income ratio, recording a significant improvement from 78% to 69%; down 14% year on year. This was despite incurring once-off costs in organisational restructuring and branch rationalisation. The cluster's Cost to Income ratio is expected to continue to improve towards our short term target range between 50% and 55%.

Within our focused product realignment initiatives, we adjusted our core Micro and Small Entrepreneur (MSE) proposition to deliver improved risk adjusted returns while accelerating Deduction at Source penetration. Tanzania was successful in completing the amalgamation of our two Tanzania subsidiaries to form one new, more efficient entity, 'Letshego Faidika Bank Limited'.

Fit for Growth markets continued to be the major contributor of profit to the Group. Insurance income grew primarily in Namibia and Mozambique, with improved performance in the newer Botswana Insurance Income.

The Group progressed on its ESG journey, concluding the publication of our second Impact Survey, which reiterated our commitment and purpose to improve lives and achieve a marked impact in supporting local economic development, while aligning our ESG strategy to international standards. In May this year, at the 2023 African Banker Awards instituted by the African Development Bank, Letshego Nigeria won the AFAWA Award (Affirmative Finance Action for Women in Africa), with over 60% of its customers being women in 2022, up from just over 20% in 2019.

Letshego's capital base is solid with a capitalisation ratio of 32%. All subsidiaries remain well capitalised.

# FINANCIAL HIGHLIGHTS
JUNE 2023

**Net interest income**
down
3%
to P891 million
(H1 2022: P918 million)

**Non-funded income**
down
16%
year-on-year to P212 million
(H1 2022: P253 million)

**Profit before tax (PBT)**
down
7%
year-on-year to P417 million
(H1 2022: P446 million)

**Profit after tax (PAT)**
down
12%
year-on-year to P219 million
(H1 2022: P248 million)

**Net advances**
up
5%
to P12.8 billion
(H1 2022: P12.2 billion), while Gross Advances grew by 4% year-on-year

**Total assets**
increased
2%
year-on-year to P17.2 billion
(H1 2022: P16.8 billion)

**Customer deposits**
increased
15%
year-on-year to P1.4 billion
(H1 2022: P1.16 billion)

**Loan loss ratio (LLR)**
of
1.1%
(H1 2022: 1.3%) reflected preserved loan book quality

**Cost-to-income ratio**
decreased
55%
(H1 2022: 57%)

**Effective tax rate (ETR)**
up to
48%
(H1 2022: 44%)

**Earnings per share**
8.7 thebe
(H1 2022: 10.1 thebe)

**Return on equity (ROE)**
8%
(H1 2022: 9%) and return on assets 3% (H1 2022: 3%)

**Capitalisation ratio**
32%
(H1 2022: 33%) alongside strong asset growth

**Debt-to-equity**
149%
in line with gearing ratio guidelines
(H1 2022: 141%)

# **Financial** commentary

## Profit before tax

declined 7% year on year to P417 million (H1: 2022: P446 million) bouyed by 6% increase in Deduction at source but with continued pressure on interest expense Profit after tax reduced 12% year-on-year to P219 million (H12022: P248 million). In 2022, performance was boosted P47 million in exchange gains which reduced to P1.1 million in June 2023.

## Net interest income

declined by 3% to P891 million (H1 2022: P918 million). Whilst total in interest expenses remained flat year on year, interest expense on borrowings increased by 30%.

## Non-funded income

excluding foreign exchange gains increased by 3% year-on-year to P211 million (H1 2022: P205 million), on the back of growth in income from insurance products, which grew by 33%.

## Total operating costs

decreased to P613 million from P644 million in H1 2022. Other operating expenses decreased by 3% year-on-year to close the year on P350 million (H1 2022: P362 million), while employee costs decreased by 7%. The Cost-to-income ratio improved to 55% in the period from 57% in the prior year. The Group's cost rationalisation incentive began to bear fruit with the stabilisation of the target operating model and improved efficiencies.

## Effective Tax Rate ("ETR")

Letshego's Effective Tax Rate was 48% (H1: 2022: 44%). The increase in the ETR was primarily driven by the decrease in profitability, whereby the tax costs were applied to a lower PBT. Profit before Tax ("PBT") decreased by 7%, yet the absolute tax costs were almost equal to that for the same period in the prior year.

The components of the ETR are broken down as follows:

| **Components of the Effective Tax Rate** | **30 June 2023 %** | 30 June 2022 % |
|---|---|---|
| Baseline tax charge | 35 | 32 |
| Withholding Tax on Dividends from subsidiaries & preference shares and inter group costs | 13 | 12 |
| **Effective tax rate** | **48** | **44** |

A deferred tax asset of BWP 11 million was written off in Faidika due to the merging of the two entities in Tanzania. This write off contributed to 10% of the tax costs. The Group continues to work towards its strategic goal of an ETR below 35% by supporting Letshego's regional functions and subsidiaries to improve tax efficiency.

## Asset Quality

Overall Expected Credit Losses increased from P404.4million in December 2022 to P436.7million in June 2023 driven by deterioration in asset quality on the back of lagged effect of external macroeconomic pressures in MSE sectors and increase in delayed payments in Government DAS portfolios. The Impact of the Russia-Ukraine war continued to affect Sub-Saharan Africa causing inflationary pressure due to rising energy and food prices. This has already been felt across most countries within the Group. Customers are already taking strain with the current macro environment evidenced by decreases in collection and recovery rates.

Letshego is diversifying its product offering to include multi-product retail and instant loans, whilst DAS remains a core and solid foundation for the business. We continue to drive competitiveness and growth on Government DAS while increasing business resilience by exploiting other viable business opportunities that exist across our chosen value stream spectrum. Our new individual lending product introduced in Botswana is the main driver in the increase in NPL and provisions. This product is in a 'test and learn phase' and is still under incubation and being reinforced on the back of enhanced direct debit collections. The core DAS prduct, however still remains strong.

The annualised loan loss rate (LLR) for H1 2023 closed off at 1.1% against a risk tolerance threshold of 3% (H1 2022 LLR: 1.3%). Good progress has been attained in enhancing credit processes and frameworks within individual subsidiaries and therefore leading to a more balanced control environment, including credit scoring on the front and back end.

Although the Group has enhanced credit risk management capabilities, strengthened credit risk governance and improving risk infrastructure, asset non-performing loans (NPLs) increased to 8.8% in June 2023(H1 2022: 7.2%) mainly driven by external operational pressures alluded to above. While there is a rise in NPLs across the Group, the increase is more pronounced in Botswana's individual lending product, Kenya and Mozambique. East and West Africa continue to have higher risk products in the MSE portfolios which is being addressed by the MSE reset and diversification into individual lending, once improved, and Deduction at Source.

## Asset Quality: Tabulated summary

| | HY2023 | FY2022 | HY2022 | FY2021 | HY2021 | FY2020 | HY2020 | FY2019 | HY2019 |
|---|---|---|---|---|---|---|---|---|---|
| Gross Loan Book Balance in P'm | **13,286** | 13,132 | 12,812 | 12,439 | 11,734 | 10,740 | 10,074 | 9,542 | 10,038 |
| Portfolio at risk – 30 days | **12.30%** | 9.20% | 11.10% | 9.20% | 8.70% | 8.30% | 11.20% | 10.40% | 10.60% |
| Non-Performing Loans(NPL) | **8.80%** | 6.50% | 7.20% | 5.90% | 5.60% | 5.30% | 7.90% | 7.10% | 7.30% |
| Post Write off Recoveries in P'm | **80** | 147 | 82 | 178 | 89 | 199 | 105 | 147 | 75 |
| Loan loss rate – actual | **1.1%** | 0.50% | 1.30% | (0.10%) | 1.40% | 0.30% | 1.40% | 1.70% | 2.50% |
| Loan loss rate – excl. once-off items | **1.1%** | 0.50% | 1.30% | 0.60% | 1.90% | 1.80% | 1.40% | 1.70% | 2.50% |

| Southern Africa | HY2023 | HY2022 |
|---|---|---|
| Gross Loan Book Balance in P'm | **10,294** | 9,567 |
| Portfolio at risk – 30 days | **10.6%** | 9.2% |
| Non-Performing Loans (NPL) | **7.3%** | 5.6% |
| Post Write off Recoveries in P'm | **63** | 60 |
| Loan loss rate | **1.2%** | 1.1% |

| East and West Africa | HY2023 | HY2022 |
|---|---|---|
| Gross Loan Book Balance in P'm | **2,992** | 3,245 |
| Portfolio at risk – 30 days | **18.3%** | 16.9% |
| Non-Performing Loans (NPL) | **13.8%** | 12.2% |
| Post Write off Recoveries in P'm | **18** | 22 |
| Loan loss rate | **0.8%** | 1.5% |

The Group is actively working to increase its past write off recoveries through improvement in our collection structure.

## Funding and Liquidity

### *Wholesale and Institutional Funding*

In light of the tightening monetary policy cycle, the Group Treasury strategy was followed to secure fixed rate funding to curb the adverse impact on cost of funds. Reference rate increases by central banks continued into the first half of the year. Policy rates increased in Namibia to 11.5% (H12022: 8.5%), 24.1% in Mozambique (H1 2022: 20.6%) and 6.8% in Botswana (H1 2022: 5.8%), while JIBAR rate increased to 8.5% (H1 2022: 4.9%). The Group's fixed or indexed debt structures increased to P3.9 billion now constituting 41% of total debt up from 39% in the prior period. Variable interest rate debt constituted 59% of total debt (H12022: 61%).

The Group focused on local currency funding with subsidiaries tasked to borrow in the local market, to reduce translation risk. The Group's bond programmes in Botswana, Namibia and Ghana, which constituted 18% of funding, assisted with funding diversification and the thrust towards local currency funding. In Mozambique in the post reporting period, a bond raise was concluded which was over-subscribed with a diverse investor mix. Where foreign currency funding was sourced, hedges were put into place to reduce the foreign currency risk.

Overall, the average cost of borrowings increased to 12.1% (H12022: 11.2%) during the first half, driven by the above mentioned macro-economic factors which were mitigated by effective management actions.

Total deposits increased by 15% to P1.34 billion (H12022: P1.16 billion), with a 6% increase of corporate deposits to P695 million (H12022: P654 million). The retail deposits grew by 10% to P643 million (H1 2022: P587 million). A key strategic focus of the Group is to increase the proportion of franchise deposits especially savings and transactional deposits through key strategic partnerships that enhance interoperability. Despite the increase in policy rates across the markets and growth in balance sheet, the cost of deposits reduced to 12.2% (H1:2022: 12.3%), driven by the shift in the mix of franchise deposits.

# **Strategic** transformation

## Digitalisation and Product diversification

The Group continues to show progress within its digital transformation journey with 60 % of our core customers having migrated to the Digital Mall platform to date, marking a 38% year on year increase compared to similar period in 2022. We continue to focus on improving customer journeys enabled by End-to-End processing. Ultimately our goal is offering our customers a holistic digital experience with a broader product offering.

Focused product campaigns have increased Letshego's monthly active user base on digital platforms to 76,000 users in the month of June 2023 - a twofold increase in engagement compared to the same period last year.

LetsGo@Work is Letshego's value proposition that bundles various products like programmatic housing, insurance, and wellbeing products with the core Deduction at Source lending solution and is offered to governments, corporates, and their employees. With these initiatives, the DAS loan book grew 7% year on year to P11.4 billion. To underscore progress, Botswana's DAS portfolio increased 10% to P3.4 billion (H1 2022: P3.1 billion), Uganda increased 25% to P539 million (H1 2022: P430 million), and Mozambique rose 18% to P2.33 billion. To achieve product diversification, we continue to prioritise other individual lending products on a test and learn basis.

On the MSE and programmatic lending, the net book declined 8% to P918 million (H1 2022: P1 billion), a result of a strategic reset to shorter MSE loan tenors versus larger loan values with longer tenors. Affordable Housing launched in Namibia and Botswana in the second half of 2022 is gradually gaining traction and will be a focus in the second half of the year. MSE and programmatic loan applications offered via the Digital Mall rose from under 100 in 2022 to 7,000 in the first half of 2023, illustrating MSE customers' appetite for increased digital access.

Insurance product revenue grew 33% Year on Year to P145 million (H1 2022: P109 million) with strong performance in Namibia and Mozambique. In the first half of 2023, the Group rolled out new insurance offerings, including health insurance in Uganda, education-related products in Nigeria and family protection in Namibia. This should continue to see the intended growth in non-funded income.

## Geographic rebalancing

The Group increased focus on the recovery of its Turn Around markets, while ensuring sustained growth in Southern African markets. Despite key changes in some of the economies, the Group's operations remained resilient, with positive upturn emanating from its Turn Around Markets.

In West Africa, new Nigerian President Bola Ahmed Tinubu announced the removal of the fuel subsidy on Premium Motor Spirit ('PMS') in May 2023, bringing to an end a fuel subsidy that dated back to the 1970s. Fuel price rises were seen across the market. After the initial shock to the market, this action could see accelerated levels of socio-economic development in Nigeria and strengthen the economy. In June, the Central Bank of Nigeria unified the exchange rate which re-introduced the "willing buyer, willing seller" model thereby reinstating market determined rates. Whilst there was immediate depreciation of the Naira the move is set to bring about positive results. Our Nigeria business continued on its digital journey to increase convenience to its customers. However, the pressure on local currency exchange rates against the Pula, dampened performance in reporting currency (Pula) terms, particularly for Nigeria.

Our Ghana operation began to show signs of recovery after the impact of the Domestic Debt Exchange programme (DDEP) announced at the end of 2022, which hampered full year performance. For the half year ended 30 June 2023, Ghana saw a 17% year on year growth in local currency PBT. Newly appointed Country CEO, Nii Amankra Tetteh, joined the Group in the first half of the year and is well placed to deepen our impact in this valued West African economy.

In East Africa, the Kenyan economy was affected by fuel and food price shocks. Our operation made progress with the launch of Instant loans, gaining key learnings that support ongoing product refinements. Letshego Rwanda registered a 53% growth in its overall loan book year on year, with net interest income up 38% and PBT up 90% over the same period. The quality of the loan book remained healthy with NPL below 1% at 30 June 2023. Letshego Uganda registered first half year on year PBT growth of 36% and revenue growth of 18%.

The Group successfully amalgamated Letshego's two wholly owned Tanzanian subsidiaries, Letshego Bank Tanzania Limited ("LBT") and Letshego Tanzania Limited T/A Faidika ("Faidika") to form the new Faidika Bank Limited, securing valuable streamlining and operational efficiencies, facilitating sustained business growth going forward.

In Southern Africa, Botswana, Namibia and Mozambique remained resilient with double digit returns on Equity of 14%, 12% and 16% respectively. Mozambique's PBT was up 65% year on year while Botswana grew gross advances by 10% and resultant net interest income up 8%. Namibia's total revenue grew by 6% year on year. Eswatini was 23% up year on year on PBT with a 46% increase in Gross LetsGo@Work payouts and Instant Loan growth of 86%. Portfolio collection rates in Eswatini remained robust at 96%.

## Enterprise Agility & People

The first half of 2023 saw the commencement of Plan 5, and the second review of the Group's organisational design to align with the past two year's investment and implementation of digitalised automated systems and platforms across functions. Employee structures within six subsidiaries and Group have concluded this realignment with the most significant change in Tanzania, following the merger of the two subsidiaries. Through the realignment process, a Culture Blueprint has been developed to support our unique culture and brand ethos.

Our first cohort of executives concluded the GIBS Executive Leadership Program in line with our objective of building a world class leadership team. In the first half, our Digital Mastery curriculum included hands-on industry training with the launch of apex projects, involving innovation of real solutions for real life business problems.

We have continued to make great strides towards our new Target Operating Model in the first half of 2023. This has been reflected in our new Letshego Faidika Bank Tanzania where we have redefined our business model to leverage the strengths of both the microfinance institution and the bank with a strong digital offering and reduced physical footprint for improved efficiencies. With the expansion of our Instant Loan product, now live in 5 markets, we have made strides in our backend automation improvements. This has paved the way for additional productivity improvements in the second half of the year.

Backend automation improvements in the first half of the year include the Enterprise Document Management System that will support full automation of our customer on-boarding process, reintroduction of an automated reconciliation system, and Oracle Fusion cloud general ledger system that will support increased automation in procurement and accounts payable.

We will continue to build on our system and backend capabilities in the second half of the year with full migration to Cloud for 8 of our 11 subsidiaries, implementation of enhanced Security Operations Centre (SOC) and Network Operating Centre (NOC) capabilities for greater system security and stability, as well as automation of our Third Party Risk Management and Data Loss Prevention across the Group.

## Sustainable shareholder value

The Group's Return on Equity stood at 8%, consistent with 31 December 2022, but down from 30 June 2023 at 9%. The Group declared dividends of 5.1 thebe being 50% of Group profits. The Group remains cautiously optimistic on second half performance despite potentially challenging macro-economic conditions ahead. We are pleased with the green-shoot returns from our Turn Around markets, which could see recovery to shareholder value.

Letshego Holdings Limited Shareholders approved a share buyback at an Extraordinary General Meeting held on 11 August 2023. When appropriate, the Group Executive Committee intends to leverage the benefits of a share buyback in terms of price recovery, with the additional possibility of an improvement on ROE.

We would like to thank all our stakeholders, including regulators, partners, and governments, for their engagement, support and advice, our funders for believing in our vision, and suppliers across our footprint for their unwavering support.

## Measuring our Social Impact across regional communities

Letshego continues to bolster and build capacity within its evolving Environmental & Social Framework by investing and developing governance through its current comprehensive project where all policies, processes and business tools will be upgraded to include global E&S standards across functions in all subsidiaries as well as Group operations. Letshego is also enabling streams such as reporting, data enhancement, customer data and surveys to build sustainability and credibility to our Framework and deepen partnerships with our growing number of funders and investors. These share our interest in increasing inclusive finance, as well as social and environmental impact initiatives. Letshego's second Impact Report is published with this cycle of Group Interim Results, reiterating the brand's achievements in building a sustainable commercial strategy and deepening its support for 11 out of the United Nation's 17 Sustainable Development Goals (SDG's).

# OUTLOOK

As risks to 2023/24 economic prospects continue to exist, the Group is closely watching the possible risk of inflationary flare ups that may arise from potential intensification of the Russia- Ukraine war, effects of El Nino; moreso if El Nino leads to long drought spells and extreme temperatures and ongoing geo -economic fragmentation. Risk of debt distress and debt servicing is also under our watch specifically for Kenya, Mozambique and Nigeria. Suspension of funding for Uganda by the World Bank will pile pressure on the country's fiscal and budgetary gaps which may potential impact on the country's economic prospects in the short term. The political risks in the Sahel region and ECOWAS' response are also under our close watch for the security, economic and foreign policy impact these developments portend for our West Africa operations in Nigeria and Ghana.

Whilst the challenging macro-economic conditions may persist, the Group will continue to pursue its 6-2-5 strategy. With Plan 5 well underway, the Group is confident that its Transformation Strategy remains relevant and attainable, particularly with the green shoots already seen in East and West Markets, reiterating the Group's commitment to its Geographic Rebalancing Conversation. Letshego has made the right investments in technology and people to maintain momentum and continue its build of this future fit organisation. The Group will continue to focus on deepening its core portfolio in Deduction at Source, while piloting and learning from new inclusive finance solutions that support product diversification.

# AUDITORS' REVIEW

The condensed financial statements from which the financial information is set out in this announcement has been reviewed but not audited by Ernst & Young, Letshego Group's external auditors. Their review report is available for inspection at the Group's registered office.

# DIVIDEND NOTICE

Notice is hereby given that the Board has declared an interim dividend of 5.1 thebe per share for the period ended 30 June 2023. In terms of the Botswana Income Tax Act (Cap 50:01) as amended, Withholding Tax at the rate of 10% or any other currently enacted tax rate will be deducted from the dividend for the Half -Year ended 30 June 2023.

*Important dates pertaining to this dividend are:*

- Declaration date: 22 August 2023
- Therefore, the shares go ex-dividend from 16 November 2023
- Last date to register (LDR) is 20 November 2023
- Dividend payment date on or about, 30 November 2023

For and on behalf of the Board of Directors:

**Philip Odera**
*Group Chairman*

28 August 2023

**Aobakwe Aupa Monyatsi**
*Group Chief Executive*

28 August 2023

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 30 June 2023 (Reviewed) P'000 | 30 June 2022 (Restated) P'000 | Change % | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Cash and similar instruments | 1 | 1 069 726 | 1 317 017 | | **1 020 771** |
| Investment securities | 2 | 787 474 | 947 991 | | **692 101** |
| Financial assets at fair value through profit or loss | 3 | 1 187 398 | 1 127 619 | | **1 178 969** |
| Advances to customers | 4 | 12 848 875 | 12 199 779 | 5 | **12 727 475** |
| Insurance contract assets | 5 | 122 823 | 97 276 | | **92 150** |
| Other receivables | 6 | 327 049 | 342 497 | | **257 471** |
| Financial assets at fair value through OCI | | 43 107 | 71 499 | | **43 107** |
| Income tax receivable | | 83 729 | 103 404 | | **81 454** |
| Property and equipment | 7 | 108 163 | 154 493 | | **116 761** |
| Right-of-use assets | 8 | 89 491 | 97 148 | | **101 654** |
| Intangible assets | 9 | 348 815 | 149 902 | | **305 798** |
| Goodwill | 10 | 30 462 | 66 627 | | **31 910** |
| Deferred tax assets | | 114 666 | 92 623 | | **129 083** |
| **Total assets** | | **17 161 778** | **16 767 875** | 2 | **16 778 704** |
| **LIABILITIES AND EQUITY** | | | | | |
| **Liabilities** | | | | | |
| Financial liabilities at fair value through profit or loss | 11 | 1 219 465 | 1 109 563 | | **1 201 095** |
| Customer deposits | 12 | 1 336 735 | 1 164 071 | 15 | **1 120 827** |
| Cash collateral | 13 | 17 200 | 20 303 | | **18 476** |
| Income tax payable | | 83 238 | 62 880 | | **68 426** |
| Trade and other payables | 14 | 640 225 | 828 757 | | **585 578** |
| Lease liabilities | 15 | 97 414 | 96 066 | | **97 953** |
| Borrowings | 16 | 8 278 246 | 7 889 354 | | **8 027 840** |
| Deferred tax liabilities | | – | 6 750 | | **339** |
| **Total liabilities** | | **11 672 523** | **11 177 744** | 4 | **11 120 534** |
| **Shareholders' equity** | | | | | |
| Stated capital | 17 | 917 909 | 882 224 | | **899 571** |
| Foreign currency translation reserve | | (604 227) | (471 003) | | **(492 653)** |
| Legal reserve | | 328 501 | 313 780 | | **313 780** |
| Fair value adjustment reserve | | (13 144) | 15 248 | | **(13 144)** |
| Share based payment reserve | | 18 418 | 32 390 | | **42 474** |
| Retained earnings | | 4 404 445 | 4 382 002 | | **4 442 209** |
| **Total equity attributable to equity holders of the parent company** | | **5 051 902** | **5 154 641** | | **5 192 237** |
| Non-controlling interests | | 437 353 | 435 490 | | **465 933** |
| **Total shareholders' equity** | | **5 489 255** | **5 590 131** | | **5 658 170** |
| **Total liabilities and equity** | | **17 161 778** | **16 767 875** | 2 | **16 778 704** |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | 30 June 2023 (Reviewed) P'000 | 30 June 2022 (Reviewed) P'000 | Change % | 31 Dec 2022 (Audited) P'000 |
|---|---|---|---|---|---|
| Interest income at effective interest rate | 18 | 1 570 432 | 1 599 136 | (2) | 3 145 672 |
| Interest expense at effective interest rate | 19 | (674 408) | (674 807) | (0) | (1 376 678) |
| Other interest expense | 19,1 | (4 808) | (6 819) | (29) | (12 524) |
| **Net interest income** | | **891 216** | **917 510** | **(3)** | **1 756 470** |
| Fee and commission income | 20 | 31 135 | 44 075 | (29) | 89 554 |
| Other operating income | 21 | 179 524 | 161 373 | 11 | 349 107 |
| **Operating income excluding exchange gains or losses** | | **1 101 875** | **1 122 958** | **(2)** | **2 195 131** |
| Expected credit losses | 22 | (73 597) | (80 568) | (9) | (98 706) |
| **Net operating income excluding exchange gains or losses** | | **1 028 278** | **1 042 390** | **(1)** | **2 096 425** |
| Employee costs | 23 | (263 150) | (281 887) | (7) | (585 939) |
| Other operating expenses | 24 | (349 530) | (361 693) | (3) | (799 927) |
| Total operating expenses | | (612 680) | (643 580) | (5) | (1 385 866) |
| **Profit before net foreign exchange gains or losses** | | **415 598** | **398 810** | **4** | **710 559** |
| Net foreign exchange gains | | 1 148 | 47 146 | (98) | 90 696 |
| **Profit before taxation** | | **416 746** | **445 956** | **(7)** | **801 255** |
| Taxation | | (198 076) | (198 039) | | (332 311) |
| **Profit for the period** | | **218 670** | **247 917** | **(12)** | **468 944** |
| **Attributable to :** | | | | | |
| Equity holders of the parent company | | 186 807 | 217 047 | | 401 903 |
| Non-controlling interests | | 31 863 | 30 870 | | 67 041 |
| **Profit for the period** | | **218 670** | **247 917** | **(12)** | **468 944** |
| **Other comprehensive income, net of tax** | | | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | | | |
| Fair value adjustment from revaluation of a financial asset | | - | - | | (28 392) |
| Foreign currency translation differences arising from foreign operations | | (133 179) | 98 759 | | 75 425 |
| **Total comprehensive income for the period** | | **85 491** | **346 676** | | **515 977** |
| **Attributable to :** | | | | | |
| Equity holders of the parent company | | 75 232 | 303 385 | | 438 199 |
| Non-controlling interests | | 10 259 | 43 291 | | 77 778 |
| **Total comprehensive income for the period** | | **85 491** | **346 676** | | **515 977** |
| Weighted average number of shares in issue during the period (millions) | | 2 148 | 2 140 | | 2 147 |
| Dilution effect - number of shares (millions) | | 121 | 149 | | 133 |
| Number of shares in issue at the end of the period (millions) | | 2 175 | 2 144 | | 2 149 |
| Basic earnings per share (thebe) | | 8,7 | 10,1 | (14) | 18,7 |
| Fully diluted earnings per share (thebe) | | 8,2 | 9,5 | | 17,6 |

**Note:** The diluted EPS has been calculated based on the total number of shares that may vest in terms of the Group's long term staff incentive scheme.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | **6 Months ended 30 June 2023 (Reviewed) P'000** | 6 Months ended 30 June 2022 (Reviewed) P'000 | Year ended 31 Dec 2022 (Audited) P'000 |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Profit before taxation | | 416 746 | 445 956 | **801 255** |
| *Adjustments for :* | | | | |
| – Interest income at effective interest rate | | (1 570 432) | (1 599 136) | **(3 145 672)** |
| – Interest expense | | 679 216 | 681 626 | **1 389 202** |
| – Amortisation, depreciation, and profit or loss on disposals | | 38 454 | 36 978 | **90 029** |
| – Impairment and write off charge - advances to customers | | 147 128 | 151 000 | **209 222** |
| – Impairment and write off charge - investment securities | | – | – | **36 027** |
| – Impairment and write off charge - goodwill | | – | – | **32 795** |
| Movement in working capital and other changes | 25 | (231 421) | (618 871) | **(1 055 738)** |
| Cash used in operations | | (520 309) | (902 447) | **(1 642 880)** |
| Interest received | | 1 570 432 | 1 599 136 | **3 145 672** |
| Interest paid | | (674 408) | (674 808) | **(1 376 678)** |
| Income tax paid | | (171 461) | (198 010) | **(345 004)** |
| Net cash flows generated/(used in) operating activities | | **204 254** | **(176 129)** | **(218 890)** |
| **INVESTING ACTIVITIES** | | | | |
| Purchase of treasury bonds | | (95 373) | (88 495) | **–** |
| Proceeds from disposal of treasury bills and bonds | | – | – | **131 368** |
| Purchase of property and equipment | | (11 310) | (65 397) | **(71 520)** |
| Purchase of intangible assets | | (52 114) | (60 809) | **(222 531)** |
| Net cash flows used in investing activities | | **(158 797)** | **(214 701)** | **(162 683)** |
| **FINANCING ACTIVITIES** | | | | |
| Dividends paid to equity holders and subsidiary non-controlling interest | | (248 687) | (255 030) | **(383 723)** |
| Repayment of principal portion of lease liabilities | | (8 001) | (27 577) | **(45 997)** |
| Repayment of interest portion of lease liabilities | | (4 808) | – | **(12 524)** |
| Proceeds from borrowings | | 993 894 | 1 204 079 | **2 186 243** |
| Repayment of borrowings | | (743 488) | (579 564) | **(1 717 613)** |
| Net cash flows (used in)/generated from financing activities | | **(11 090)** | **341 908** | **26 386** |
| Net movement in cash and similar instruments | | 34 367 | (48 922) | **(355 187)** |
| Cash and similar instruments at the beginning of the period | | 994 582 | 1 355 294 | **1 355 294** |
| Effect of exchange rate changes on cash and similar instruments | | (1 083) | (11 141) | **(5 525)** |
| **Cash and similar instruments at the end of the period** | 1 | **1 027 866** | **1 295 231** | **994 582** |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Stated capital P'000 | Retained earnings P'000 | Share based payment reserve P'000 |
|---|---|---|---|
| **Balance at 1 January 2022** | **882 224** | **4 421 568** | **39 907** |
| **Total comprehensive income for the period** | | | |
| Profit for the period | – | 217 047 | – |
| **Other comprehensive income, net of income tax** | | | |
| Fair value adjustment of financial asset | – | – | – |
| Foreign currency translation reserve | | | |
| **Transactions with owners, recorded directly in equity** | – | – | – |
| Allocation to legal reserve | – | (48 536) | – |
| Recognition of share based payment reserve movement | – | – | (7 517) |
| New shares issued from long term incentive scheme | – | – | – |
| Dividends paid by subsidiary to minority interests | – | – | – |
| Dividends paid to equity holders | – | (208 077) | – |
| **Balance at 30 June 2022 - Reviewed** | **882 224** | **4 382 002** | **32 390** |
| **Total comprehensive income for the period** | | | |
| Profit for the period | **–** | **184 856** | **–** |
| **Other comprehensive income, net of income tax** | | | |
| Fair value adjustment of financial asset | **–** | **–** | **–** |
| Foreign currency translation reserve | **–** | **–** | **–** |
| **Transactions with owners, recorded directly in equity** | | | |
| Allocation from legal reserve | **–** | **–** | **–** |
| Recognition of share based payment reserve movement | **–** | **–** | **27 431** |
| New shares issued from long term incentive scheme | **17 347** | **–** | **(17 347)** |
| Dividends paid by subsidiary to minority interests | **–** | **–** | **–** |
| Dividends paid to equity holders | **–** | **(124 649)** | **–** |
| **Balance at 31 December 2022 - Audited** | **899 571** | **4 442 209** | **42 474** |
| **Total comprehensive income for the period** | | | |
| Profit for the period | – | 186 806 | – |
| **Other comprehensive income, net of income tax** | | | |
| Fair value adjustment of financial asset | – | – | – |
| Foreign currency translation reserve | – | – | – |
| **Transactions with owners, recorded directly in equity** | | | |
| Allocation from legal reserve | – | (14 721) | – |
| Recognition of share based payment reserve movement | – | – | (5 718) |
| New shares issued from long term incentive scheme | 18 338 | – | (18 338) |
| Dividends paid by subsidiary to minority interests | – | – | – |
| Dividends paid to equity holders | – | (209 849) | – |
| **Balance at 30 June 2023 - Reviewed** | **917 909** | **4 404 445** | **18 418** |

| Fair value reserve of financial assets at FVOCI P'000 | Foreign currency translation reserve P'000 | Legal reserve P'000 | Non-controlling interest P'000 | Total P'000 |
|---|---|---|---|---|
| **15 248** | **(557 341)** | **265 244** | **439 152** | **5 506 002** |
| | | | | |
| – | – | – | 30 870 | 247 917 |
| | | | | |
| | | | | |
| – | 86 338 | – | 12 421 | 98 759 |
| – | – | – | – | |
| – | – | 48 536 | – | – |
| – | – | – | – | (7 517) |
| – | – | – | – | – |
| – | – | – | (46 953) | (46 953) |
| – | – | – | – | (208 077) |
| **15 248** | **(471 003)** | **313 780** | **435 490** | **5 590 131** |
| | | | | |
| – | – | – | 36 171 | 221 027 |
| | | | | |
| (28 392) | – | – | – | (28 392) |
| – | (21 650) | – | (1 684) | (23 334) |
| | | | | |
| – | – | – | – | – |
| – | – | – | – | 27 431 |
| – | – | – | – | – |
| – | – | – | (4 044) | (4 044) |
| – | – | – | – | (124 649) |
| **(13 144)** | **(492 653)** | **313 780** | **465 933** | **5 658 170** |
| | | | | |
| – | – | – | 31 863 | **218 669** |
| | | | | |
| – | – | – | – | **–** |
| – | (111 574) | – | (21 605) | **(133 179)** |
| | | | | |
| – | – | 14 721 | – | **–** |
| – | – | – | – | **(5 718)** |
| – | – | – | – | **–** |
| – | – | – | (38 838) | **(38 838)** |
| – | – | – | – | **(209 849)** |
| **(13 144)** | **(604 227)** | **328 501** | **437 353** | **5 489 255** |

# SEGMENTAL REPORTING

For the period ended 30 June 2023

The Group's geographical operating segments are reported below:

| Reportable segments 30 June 2023 | Botswana P'000 | Namibia P'000 | Mozambique P'000 | Lesotho P'000 | Eswatini P'000 |
|---|---|---|---|---|---|
| Interest income at effective interest rate | 381 487 | 265 271 | 314 383 | 50 802 | 69 438 |
| Interest expense at effective interest rate | (71 836) | (107 370) | (99 238) | (5 749) | (16 397) |
| Other interest expense | (678) | – | (1 696) | (42) | (234) |
| **Net interest income** | **308 973** | **157 901** | **213 449** | **45 011** | **52 807** |
| Fee and commission income | 1 081 | 13 083 | 341 | – | – |
| Other operating income | 18 849 | 101 708 | 23 479 | (8 015) | 681 |
| **Operating income** | **328 903** | **272 692** | **237 269** | **36 996** | **53 488** |
| **Profit / (loss) before taxation** | **145 985** | **134 817** | **150 486** | **8 674** | **23 990** |
| Taxation - consolidated | | | | | |
| **Profit - consolidated** | | | | | |
| Gross advances to customers | 3 531 221 | 3 405 019 | 2 368 594 | 419 683 | 569 079 |
| Impairment provisions | (139 131) | (42 703) | (30 674) | (12 183) | (24 693) |
| **Net advances** | **3 392 090** | **3 362 316** | **2 337 920** | **407 500** | **544 386** |
| **Total assets** | **3 912 954** | **4 374 329** | **2 873 106** | **419 595** | **562 462** |
| **Borrowings** | **1 710 131** | **1 899 209** | **479 457** | **48 148** | **181 128** |
| **Total liabilities** | **2 272 294** | **2 435 074** | **1 218 873** | **58 656** | **204 879** |

| Reportable segments 30 June 2022 | Botswana P'000 | Namibia P'000 | Mozambique P'000 | Lesotho P'000 | Eswatini P'000 |
|---|---|---|---|---|---|
| Interest income at effective interest rate | 363 948 | 242 489 | 275 580 | 50 400 | 63 619 |
| Interest expense at effective interest rate | (77 699) | (69 815) | (78 976) | (4 396) | (14 420) |
| Other interest expense | (1 257) | (176) | (1 294) | (1 075) | (226) |
| **Net interest income** | **284 992** | **172 498** | **195 310** | **44 929** | **48 973** |
| Fee and commission income | – | 12 965 | 12 713 | – | – |
| Other operating income | 63 902 | 104 794 | 4 139 | (6 571) | 2 828 |
| **Operating income** | **348 894** | **290 257** | **212 162** | **38 358** | **51 801** |
| **Profit / (loss) before taxation** | **237 269** | **164 914** | **99 488** | **28 308** | **26 013** |
| Taxation - consolidated | | | | | |
| **Profit - consolidated** | | | | | |
| Gross advances to customers | 3 220 365 | 3 437 217 | 1 966 679 | 396 318 | 546 631 |
| Impairment provisions | (125 709) | (35 158) | (46 904) | (13 330) | (45 714) |
| **Net advances** | **3 094 656** | **3 402 059** | **1 919 775** | **382 988** | **500 917** |
| **Total assets** | **3 212 999** | **4 503 989** | **2 161 095** | **487 189** | **551 681** |
| **Borrowings** | **1 513 837** | **1 907 538** | **188 869** | **75 669** | **123 260** |
| **Total liabilities** | **1 609 449** | **2 320 760** | **834 638** | **98 846** | **149 779** |

| 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 |
|---|---|---|---|---|---|---|---|
| 71 811 | 18 788 | 112 412 | 69 103 | 38 926 | 237 896 | (59 885) | 1 570 432 |
| (29 216) | (8 491) | (22 199) | (170) | (1 847) | (183 033) | (128 862) | (674 408) |
| (333) | (202) | (157) | (61) | – | (19) | (1 386) | (4 808) |
| **42 262** | **10 095** | **90 056** | **68 872** | **37 079** | **54 844** | **(190 133)** | **891 216** |
| 12 901 | 431 | – | 1 076 | 215 | 2 007 | – | **31 135** |
| 7 451 | 421 | 4 689 | – | (6 225) | 5 452 | 32 182 | **180 672** |
| **62 614** | **10 947** | **94 745** | **69 948** | **31 069** | **62 303** | **(157 951)** | 1 103 023 |
| **(1 231)** | **3 294** | **18 546** | **13 407** | **(3 060)** | **19 498** | **(97 660)** | **416 746** |
| | | | | | | | (198 076) |
| | | | | | | | **218 670** |
| 665 912 | 166 387 | 563 348 | 473 808 | 127 306 | 995 250 | – | 13 285 607 |
| (49 306) | (4 145) | (24 845) | (53 958) | (16 805) | (38 289) | – | (436 732) |
| **616 606** | **162 242** | **538 503** | **419 850** | **110 501** | **956 961** | **–** | **12 848 875** |
| **672 155** | **183 547** | **623 159** | **672 216** | **147 574** | **1 373 885** | **1 346 796** | **17 161 778** |
| **393 417** | **–** | **351 319** | **–** | **–** | **537 347** | **2 678 090** | **8 278 246** |
| **433 835** | **63 389** | **384 301** | **58 256** | **28 436** | **983 804** | **3 530 726** | **11 672 523** |

| Kenya P'000 | Rwanda P'000 | Uganda P'000 | Tanzania P'000 | Nigeria P'000 | Ghana P'000 | Holding company and eliminations P'000 | Total P'000 |
|---|---|---|---|---|---|---|---|
| 76 514 | 8 909 | 96 621 | 66 776 | 40 131 | 392 920 | (78 771) | 1 599 136 |
| (28 005) | (2 326) | (13 364) | (3 889) | (2 582) | (325 023) | (54 312) | (674 807) |
| (685) | (129) | (154) | (26) | – | (300) | (1 497) | (6 819) |
| **47 824** | **6 454** | **83 103** | **62 861** | **37 549** | **67 597** | **(134 580)** | **917 510** |
| 3 198 | 1 131 | – | (373) | 391 | 14 050 | – | 44 075 |
| 4 709 | 1 845 | (1 991) | 6 631 | 573 | 18 718 | 8 942 | 208 519 |
| **55 731** | **9 430** | **81 112** | **69 119** | **38 513** | **100 365** | **(125 638)** | **1 170 104** |
| **18 064** | **1 830** | **19 539** | **(5 051)** | **422** | **33 480** | **(178 320)** | **445 956** |
| | | | | | | | (198 039) |
| | | | | | | | **247 917** |
| 622 965 | 110 675 | 463 469 | 455 941 | 197 784 | 1 394 427 | – | 12 812 471 |
| (46 177) | (4 727) | (33 240) | (63 690) | (43 212) | (154 831) | – | (612 692) |
| **576 788** | **105 948** | **430 229** | **392 251** | **154 572** | **1 239 596** | **–** | **12 199 779** |
| **669 597** | **125 350** | **510 802** | **614 120** | **238 932** | **1 991 922** | **1 700 199** | **16 767 875** |
| **364 036** | **–** | **187 226** | **–** | **–** | **1 130 375** | **2 398 544** | **7 889 354** |
| **412 432** | **34 581** | **239 693** | **84 807** | **77 544** | **1 713 365** | **3 601 850** | **11 177 744** |

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|---|
| 1 | **CASH AND SIMILAR INSTRUMENTS** | | | |
| | Cash at bank and in hand | 1 022 857 | 994 947 | **779 699** |
| | Statutory cash reserve | 41 860 | 21 786 | **26 189** |
| | Short term investments | 5 009 | 300 284 | **214 883** |
| | | **1 069 726** | **1 317 017** | **1 020 771** |
| | **Cash and similar instruments for the purpose of the statement of cash flows** | **1 027 866** | **1 295 231** | **994 582** |
| 2 | **INVESTMENT SECURITIES** | | | |
| | Government and Corporate bonds: 2 – 5 year fixed rate notes | 797 210 | 921 168 | **703 604** |
| | Government and Corporate bonds: Above 5 year fixed rate notes | 26 291 | 26 823 | **24 524** |
| | Less : Expected credit losses | (36 027) | – | **(36 027)** |
| | | **787 474** | **947 991** | **692 101** |
| 3 | **FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS** | | | |
| | Foreign currency swaps | **1 187 398** | **1 127 619** | **1 178 969** |

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 11.

| | | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|---|
| 4 | **ADVANCES TO CUSTOMERS** | | | |
| | Gross advances to customers | 13 285 607 | 12 812 471 | **13 131 860** |
| | Less : Expected credit losses | (436 732) | (612 692) | (404 385) |
| | – Stage 1 | (158 453) | (140 762) | **(164 479)** |
| | – Stage 2 | (22 591) | (95 193) | **(42 597)** |
| | – Stage 3 | (255 688) | (376 737) | **(197 309)** |
| | **Net advances to customers** | **12 848 875** | **12 199 779** | **12 727 475** |
| 5 | **INSURANCE CONTRACT ASSETS** | | | |

Based on how the Group manages its cell captive insurance arrangements, it disaggregates information to provide disclosure in respect of credit life insurance and credit default insurance. The breakdown of groups of insurance contracts issued that are in an asset position is set out in the table below:

| | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|
| Credit life insurance | 74 270 | 70 194 | **72 168** |
| Credit default insurance | 48 553 | 27 082 | **19 982** |
| | **122 823** | **97 276** | **92 150** |

| | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|
| **6 OTHER RECEIVABLES** | | | |
| Deposits and prepayments | 161 393 | 74 838 | **74 304** |
| Receivable from insurance arrangements | 83 527 | 85 167 | **93 938** |
| Withholding tax and value added tax | 5 702 | 1 106 | **992** |
| Deferred arrangement fees | 40 417 | 27 391 | **33 173** |
| Settlement and clearing accounts | 32 197 | 137 965 | **47 030** |
| Other receivables | 3 813 | 16 030 | **8 034** |
| | **327 049** | **342 497** | **257 471** |

**7 PROPERTY AND EQUIPMENT**

| | Carrying amount at 01 Jan 2023 | Additions | Transfers | Disposal and written off | Depreciation charge | Forex translation | Carrying amount at 30 June 2023 |
|---|---|---|---|---|---|---|---|
| Motor vehicles | 6 020 | 3 488 | – | (957) | (1 682) | 56 | 6 925 |
| Computer equipment | 27 634 | 4 157 | – | (19) | (8 763) | (657) | 22 352 |
| Office furniture and equipment | 64 687 | 3 665 | – | (358) | (5 824) | 919 | 63 089 |
| Land and building | 18 420 | – | – | – | – | (2 623) | 15 797 |
| | **116 761** | **11 310** | **–** | **(1 334)** | **(16 269)** | **(2 305)** | **108 163** |

**8 RIGHT–OF–USE ASSETS**

| | Carrying amount at 01 Jan 2023 | Additions | Modifications | Depreciation charge | Forex translation | Carrying amount at 30 June 2023 |
|---|---|---|---|---|---|---|
| Property | 101 654 | 6 562 | – | (19 627) | 902 | 89 491 |
| | **101 654** | **6 562** | **–** | **(19 627)** | **902** | **89 491** |

**9 INTANGIBLE ASSETS**

| | Carrying amount at 01 Jan 2023 | Additions | Transfers | Disposal | Amortisation charge | Forex translation | Carrying amount at 30 June 2023 |
|---|---|---|---|---|---|---|---|
| Computer software | 18 662 | 907 | – | – | (2 388) | 116 | 17 297 |
| Brand value | 403 | – | – | – | 1 548 | (1 839) | 112 |
| Core deposit | 620 | – | – | – | (384) | 42 | 278 |
| Work in progress | 286 113 | 51 207 | – | – | – | (6 192) | 331 128 |
| | **305 798** | **52 114** | **–** | **–** | **(1 224)** | **(7 873)** | **348 815** |

## 10 GOODWILL

| | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|
| **Goodwill arose on the acquisition of:** | | | |
| Letshego Holdings Namibia Limited | 21 854 | 23 125 | 22 958 |
| Letshego Tanzania Limited | 2 281 | 2 141 | 2 221 |
| Letshego Kenya Limited | – | 33 127 | – |
| AFB Ghana Plc | 6 327 | 8 234 | 6 731 |
| | 30 462 | 66 627 | 31 910 |

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.

## 11 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

| | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|
| Foreign currency swaps | 1 219 465 | 1 109 563 | 1 201 095 |

## 12 CUSTOMER DEPOSITS

| | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|
| Demand accounts | 92 910 | 26 986 | 60 904 |
| Savings accounts | 479 527 | 395 319 | 422 290 |
| Call and term deposits | 764 298 | 741 766 | 637 633 |
| | 1 336 735 | 1 164 071 | 1 120 827 |

## 13 CASH COLLATERAL

| | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|
| Cash collateral on loans and advances | 17 200 | 20 303 | 18 476 |

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.

## 14 TRADE AND OTHER PAYABLES

| | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|
| Insurance premium payable | 83 683 | 85 275 | 56 069 |
| Payroll related accruals | 37 273 | 30 200 | 23 662 |
| Staff incentive accrual | 7 806 | 31 969 | 74 300 |
| Other accruals | 21 529 | 105 672 | 20 272 |
| Guarantee funds | 332 232 | 361 546 | 318 691 |
| Trade and other payables | 110 553 | 167 662 | 73 407 |
| Value added tax / withholding tax payable | 47 149 | 46 433 | 19 177 |
| | 640 225 | 828 757 | 585 578 |

| | | At 30 June 2023 (Reviewed) P'000 | At 30 June 2022 (Restated) P'000 | At 31 Dec 2022 (Restated) P'000 |
|---|---|---|---|---|
| **15** | **LEASE LIABILITIES** | | | |
| | Lease liability | **97 414** | **96 066** | **97 953** |
| **16** | **BORROWINGS** | | | |
| | Commercial banks | 4 319 072 | 4 102 301 | **4 283 243** |
| | Note programmes | 1 664 007 | 1 595 901 | **1 677 771** |
| | DFI's | 2 194 526 | 2 124 382 | **2 066 826** |
| | Pension Funds | 100 641 | 66 770 | **–** |
| | **Total borrowings** | **8 278 246** | **7 889 354** | **8 027 840** |
| **17** | **STATED CAPITAL** | | | |
| | Issued: 2,175,038,644 ordinary shares of no par value (Dec. 2022: 2,149,114,056) of which 11,651,597 shares (Dec. 2022: 3,989,970) are held as treasury shares | **917 909** | **882 224** | **899 571** |

| | | 6 Months ended 30 June 2023 (Reviewed) P'000 | 6 Months ended At 30 June 2022 (Reviewed) P'000 | 12 Months ended At 31 Dec 2022 (Audited) P'000 |
|---|---|---|---|---|
| **18** | **INTEREST INCOME AT EFFECTIVE INTEREST RATE** | | | |
| | Advances to customers | 1 366 006 | 1 293 334 | **2 620 123** |
| | Interest income on risk informal / mobile loans | 61 713 | 42 949 | **96 874** |
| | Interest income on non-risk informal / mobile loans | 109 231 | 226 431 | **349 122** |
| | Interest income from deposits with banks | 33 482 | 36 422 | **79 553** |
| | | **1 570 432** | **1 599 136** | **3 145 672** |
| **19** | **INTEREST EXPENSE AT EFFECTIVE INTEREST RATE** | | | |
| | Overdraft facilities and term loans | 565 177 | 448 376 | **1 027 556** |
| | Interest expense on non-risk informal / mobile loans | 109 231 | 226 431 | **349 122** |
| | | **674 408** | **674 807** | **1 376 678** |
| **19.1** | **Other interest expense** | | | |
| | Interest expense on leases | **4 808** | **6 819** | **12 524** |
| **20** | **FEE AND COMMISSION INCOME** | | | |
| | Administration fees - lending | 18 622 | 28 704 | **83 979** |
| | Credit life insurance commission | 12 513 | 15 371 | **5 575** |
| | | **31 135** | **44 075** | **89 554** |

| | | 6 Months ended 30 June 2023 (Reviewed) P'000 | 6 Months ended At 30 June 2022 (Reviewed) P'000 | 12 Months ended At 31 Dec 2022 (Audited) P'000 |
|---|---|---|---|---|
| **21** | **OTHER OPERATING INCOME** | | | |
| | Early settlement fees | 18 928 | 31 544 | **60 248** |
| | Income from insurance arrangements | 145 460 | 109 034 | **243 496** |
| | Long term incentive plan | 5 718 | 7 517 | **–** |
| | Mark-to-market gain on foreign currency swaps | – | – | **8 210** |
| | Sundry (loss) / income | 9 418 | 13 278 | **37 153** |
| | | **179 524** | **161 373** | **349 107** |
| **21.1** | **INSURANCE SERVICE RESULT AND INSURANCE FINANCE INCOME** | | | |
| | Included in 'Income from insurance arrangements' above are the following components, arising from cell captive arrangements in the Group's Namibia subsidiary: | | | |
| | Insurance revenue | 144 544 | 157 906 | **338 275** |
| | Insurance service expense | (42 317) | (59 401) | **(150 409)** |
| | **Net insurance financial result** | **102 227** | **98 505** | **187 866** |
| **22** | **EXPECTED CREDIT LOSSES** | | | |
| | Amounts written off | 114 781 | 169 375 | **368 542** |
| | Recoveries during the period | (73 531) | (70 432) | **(146 543)** |
| | Expected credit losses raised/(reversed) during the period | 32 347 | (18 375) | **(123 293)** |
| | | **73 597** | **80 568** | **98 706** |
| **23** | **EMPLOYEE COSTS** | | | |
| | Salaries and wages | 260 026 | 263 328 | **454 637** |
| | Staff incentive | (19 929) | 1 449 | **61 734** |
| | Staff recruitment costs | 333 | 146 | **1 096** |
| | Staff pension fund contribution | 18 503 | 12 975 | **38 282** |
| | Directors' remuneration – for management services (executive) | 4 217 | 3 989 | **10 276** |
| | Long term incentive plan | – | – | **19 914** |
| | | **263 150** | **281 887** | **585 939** |

| | 6 Months ended 30 June 2023 (Reviewed) P'000 | 6 Months ended At 30 June 2022 (Reviewed) P'000 | 12 Months ended At 31 Dec 2022 (Audited) P'000 |
|---|---|---|---|
| **24 OTHER OPERATING EXPENSES** | | | |
| Accounting and secretarial fees | 38 | 62 | 227 |
| Advertising | 13 086 | 20 623 | 40 441 |
| Audit fees | 3 848 | 3 331 | 7 358 |
| - Audit services | 3 596 | 3 257 | 7 191 |
| - Other services | 252 | 74 | 167 |
| Bank charges | 7 780 | 4 454 | 8 859 |
| Computer expenses | 4 726 | 6 212 | 9 755 |
| Consultancy fees | 20 601 | 14 936 | 56 163 |
| Corporate social responsibility | 1 046 | 1 459 | 1 961 |
| Collection commission | 38 050 | 37 079 | 72 159 |
| Direct costs | 13 088 | 14 082 | 29 343 |
| Direct costs - informal loans | 19 038 | 15 177 | 36 142 |
| Depreciation and amortisation | 17 493 | 20 215 | 48 622 |
| Depreciation - right of use assets | 19 627 | 18 787 | 41 407 |
| Directors' fees – non executive | 4 278 | 5 978 | 9 985 |
| Directors' fees – subsidiary boards | 4 689 | 4 072 | 8 184 |
| Government levies | 12 778 | 10 763 | 22 673 |
| Impairment of goodwill | – | – | 32 795 |
| Insurance | 7 072 | 8 735 | 17 989 |
| Insurance Fees - customer short term | 22 026 | 43 427 | 60 074 |
| Office expenses | 12 208 | 11 974 | 24 638 |
| Rental expense for low value assets | 4 061 | 3 200 | 6 862 |
| Short term leases | 208 | 576 | 849 |
| Other operating expenses | 72 463 | 66 233 | 155 639 |
| - Entertainment | 220 | 154 | 531 |
| - IT costs | 93 | 2 688 | 505 |
| - Profit /(loss) on disposal of plant and equipment and intangible assets | – | 2 024 | – |
| - Mark-to-market loss on foreign currency swaps | 8 140 | 8 380 | – |
| - Motor vehicle expenses | 5 323 | 5 580 | 11 715 |
| - Printing and Stationery | 3 539 | 3 911 | 6 775 |
| - Repairs and Maintenance | 4 369 | 4 619 | 10 250 |
| - Storage costs | 1 321 | 1 388 | 3 324 |
| - Subscriptions and licenses | 14 225 | 12 265 | 27 179 |
| - Other expenses | 35 233 | 25 224 | 95 360 |
| Payroll administration costs | 1 031 | 1 090 | 2 131 |
| Professional fees | 24 154 | 21 928 | 46 704 |
| Telephone and postage | 14 053 | 17 917 | 36 536 |
| Travel | 12 088 | 9 383 | 22 431 |
| | **349 530** | **361 693** | **799 927** |

| | 6 Months ended 30 June 2023 (Reviewed) P'000 | 6 Months ended At 30 June 2022 (Reviewed) P'000 | 12 Months ended At 31 Dec 2022 (Audited) P'000 |
|---|---|---|---|
| **25 ADDITIONAL CASH FLOW INFORMATION** | | | |
| Movement in working capital and other changes: | | | |
| Movement in advances to customers | (268 528) | (427 769) | **(1 061 102)** |
| Movement in other receivables | (101 269) | (643 940) | **(66 122)** |
| Movement in trade and other payables | 39 994 | 479 889 | **(250 370)** |
| Movement in customer deposits | 215 908 | (11 515) | **(54 759)** |
| Movement in cash collateral | (1 276) | (1 219) | **(3 046)** |
| Net change in financial assets at fair value through profit or loss | 9 941 | - | **39 597** |
| Long-term incentive plan provision | (5 718) | (7 517) | **19 914** |
| Loss on disposal and write off of property and equipment | - | - | **-** |
| Loss on disposal and write off of intangible assets | - | - | **-** |
| Net foreign exchange differences | (120 473) | (6 800) | **320 150** |
| | **(231 421)** | **(618 871)** | **(1 055 738)** |

# RATIOS

| | 30 June 2023 | 30 June 2022 | 31 Dec 2022 |
|---|---|---|---|
| Return on average assets (%) | 3 | 3 | **3** |
| Return on average equity (%) | **8** | 9 | **8** |
| Cost to income ratio (%) | **55** | 57 | **63** |
| Debt to equity ratio (%) | **149** | 141 | **142** |

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