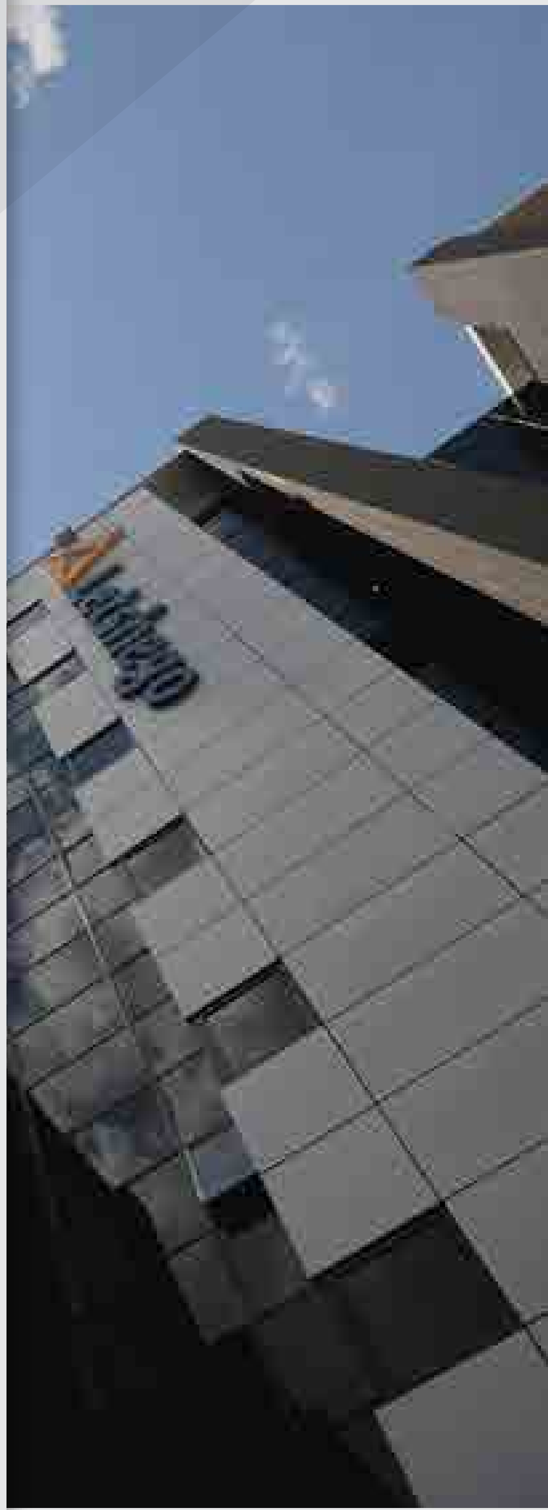
Letshego

LETSHEGO HOLDINGS LIMITED

Integrated annual report **2022**

Contents



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

About this report

The Letshego Holdings Limited integrated report provides our stakeholders with a balanced and accurate assessment of the Group's strategic and financial performance for the period 1 January 2022 to 31 December 2022.

The report contains information that is relevant to all our key stakeholder groups to whom we are accountable – our customers, employees, investors and funders, strategic partners, governments and regulators, and members of the communities in which we operate. The report contains information on the value outcomes for the period under review as well as forward-looking information, to allow our stakeholders to assess the Group and its ability to create enterprise value over time. Material information subsequent to year-end has also been included.

BOUNDARY AND SCOPE

The report covers all our operating subsidiaries across all 11 of our markets – Botswana, Eswatini, Ghana, Kenya, Lesotho, Mozambique, Namibia, Nigeria, Rwanda, Tanzania and Uganda – as well as the risks, opportunities and outcomes associated with our operating context, industry and stakeholders.

INTEGRATED THINKING

Letshego's mandate to provide inclusive financial services and products, and our purpose to improve lives, are central to our strategy formulation and decision-making. Our strategy is designed to achieve a sustainable competitive advantage for the Group and sustainable shareholder returns in the long term. It is underpinned by corporate governance structures, processes and controls that have been developed in line with best practice and are regularly reviewed to achieve continual improvement. Our environmental, social and governance (ESG) framework is not uniformly mature across all our subsidiaries and we are driving a more integrated approach as a priority. Together, our strategy, corporate governance and ESG approach, and stakeholder relationships will advance our enterprise value creation and preservation, and guard against value erosion.

DISCLOSURE

Letshego is committed to balanced reporting, disclosing the material constraints related to our strategy and business model, including where value has been eroded due to factors either within or outside our control. Information excluded from our report includes that which is considered immaterial, confidential and legally privileged, and competitively sensitive. This includes granular data on remuneration, yields and margins.

Certain statements in our report are forward looking. These beliefs and assumptions are based on the information currently available to Letshego's Board of directors and management. Forward-looking statements are subject to certain risks, uncertainties and assumptions, particularly in terms of general market conditions, our ability to manage growth, future performance and changes in the regulatory environment, among others. There can be no assurance that these statements will be accurate, and actual results could differ materially from those anticipated in such statements. The words 'believe', 'anticipate', 'estimate', 'expect', 'intend' and similar expressions identify forward-looking statements. Letshego undertakes no obligation to update forward-looking statements to reflect subsequently occurring events or circumstances or to reflect unanticipated events or developments.

All monetary values used in this report are in Botswana Pula (P or BWP) unless otherwise indicated.

TIME HORIZONS

SHORT TERM
2023, in which we will continue to drive our digital transformation.

MEDIUM TERM
2024 to 2025, with 2025 being the year in which we aim to achieve our strategic targets.

LONG TERM
2026 and beyond, drive positive impacts that contribute to the United Nations Sustainable Development Goals (UN SDGs).

MATERIALITY

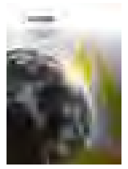
When deciding which information to include in the report we consider our stakeholders, sustainability, materiality and completeness. We consider the matters, opportunities and challenges that are likely to affect the delivery of our strategic intent and ability to create value for stakeholders in the short, medium, and long term as being material.

Our material matters form an integral part of our strategic planning activities. Our five strategic transformational conversations (considered to be our material matters) – product diversification, digitisation, geographic rebalancing, execution engine and sustainable stakeholder value – are explained in more detail in this report.

Page 20

OUR REPORTING SUITE

Integrated report



Our primary report to stakeholders, which provides material information on the Group's Transformation Strategy and performance, and how Lesthego creates and preserves enterprise value and mitigates its erosion over time. The report complies with the Botswana Companies Act, the Botswana Stock Exchange (BSE) Equity Listings Requirements, and the Johannesburg Stock Exchange (JSE) Debt Listings Requirements.

Reporting frameworks

- The principles of the International Integrated Reporting <IR> Framework (January 2021).
- King Report on Corporate Governance for South Africa (2016)™ (King IV)[1].
- International Financial Reporting Standards (IFRS).

WHERE TO FIND THIS REPORT:
letshegoinvestor.com

Annual financial statements

The Annual Financial Statements include the audited consolidated annual financial statements of the Group and the directors' report to shareholders. The report includes information relating to the Group's financial position and performance, as well as IFRS risk disclosures.

Reporting frameworks

- IFRS.
- King IV.

WHERE TO FIND THIS REPORT:
letshegoinvestor.com

Notice of annual general meeting

The invitation to shareholders for the annual general meeting (AGM) and resolutions to be tabled thereat.

WHERE TO FIND THIS REPORT:
letshegoinvestor.com

RESTATEMENTS OR REPORTING CHANGES

For the most part, no restatements have been made to prior year metrics. Where restatements are made, this, and the reason for the restatement are clearly noted.

While the nature of the content in this year's report remains largely unchanged from that of 2021, the structure of the report has been slightly reworked to simplify and streamline our disclosure. Specifically, our performance for the year has been reported according to our five strategic transformational conversations with standalone sections for people and culture and our social impact.

PROCESS DISCLOSURE

The following processes are followed in the preparation and approval of this report:

- A cross-functional and cross-regional team led by the head of Group Corporate Affairs and support from specialist advisors ensure that an effective report preparation process is followed.
- Information in this report is sourced from a range of internal and external sources of information.
- The Group Risk, Social and Ethics Committee, Group Audit Committee and Group Remuneration Committee all play a role in reviewing various sections of the annual financial statments to ensure their integrity, and recommend them to the Board for approval.

ASSURANCE

Assurance on financial information has been obtained in line with our combined assurance model. Ernst & Young conducted the independent external assurance on the Group's consolidated annual financial statements, providing an unqualified opinion. The Group's internal audit function provided independent and objective assurance to the Group Audit Committee in accordance with the internal audit standards set by the Institute of Internal Auditors and in line with internal audit methodology.

APPROVAL

The Board is ultimately responsible for ensuring the integrity and completeness of the integrated report. 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, and has approved the Group's annual financial statements for the year ended 31 December 2022. In the Board's opinion, it has fulfilled its responsibilities in terms of the recommendations of the King IV, and believes that the integrated report has been prepared in accordance with the International <IR> Framework in all material respects.

Mr Philip Odera
Group Chairman

1 *King IV copyright and trademarks are owned by the Institute of Directors in Southern Africa and all of its rights are reserved.*

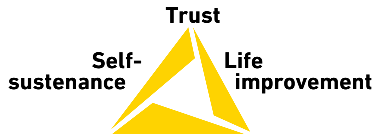
OUR BUSINESS

Who **we are**

The Letshego Group is a Pan African provider of financial products, headquartered and listed in Botswana. We provide access to simple, appropriate and inclusive financial solutions for individuals, micro and small entrepreneurs (MSEs) and under-served populations across 11 sub-Saharan markets.

We leverage technology and innovation to create an expansive ecosystem that provides our customers with accessible and affordable financial (lending, savings, payments and insurance) and lifestyle (non-financial) solutions – products that help people to improve their lives but which historically were not easily accessible. Our products are delivered in tandem with the upskilling and empowerment of our employees and customers with digital skills that support sustainable financial inclusion and digital-savvy economies.

In 2023, Letshego will celebrate 25 years of improving lives in Africa.



Our Vision

To be a world-class retail financial services organisation that meets the needs of mass and middle-income individuals and MSEs[1].

1 *Our selected economic segments are proven to have the highest impact in supporting social development in Africa.*

Our Purpose

IMPROVING LIVES

Our Mantra

Simplicity

Focus

Discipline

Our Values

Our values define our culture, ways of working and guiding principles for improving the lives of our customers.

- Simple
- Appropriate
- Accessible
- Ethical
- Responsive
- Inclusive

LETSHEGO AT A GLANCE

Our brand is trusted across Africa; based on our commitment to responsible and ethical lending, our full regulatory compliance in all our countries of operation and our responsiveness to the needs of our customers. Our products and services are designed to advance access to affordable housing, healthcare, education, small business and agriculture funding, focusing on entrepreneurs, youth and women.

11 African markets (South, East and West Africa).

An asset base of over **USD1 billion.**

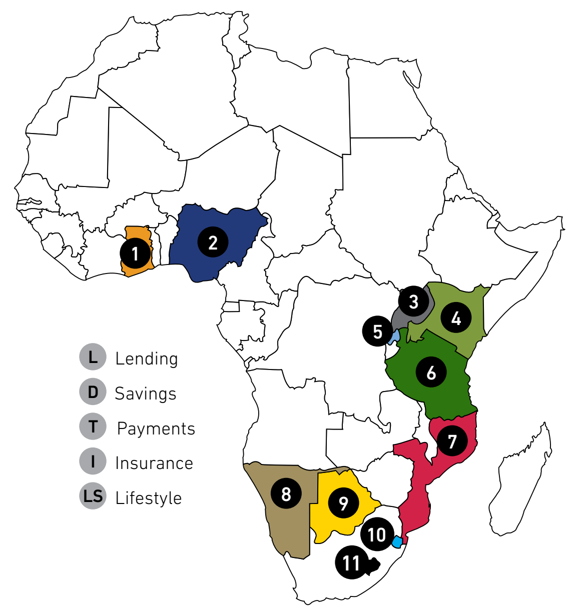
1 705 employees (2021: 1 765).

More than **6.6 million** customers.

5.8 million lending customers (2021: 5 million).

894 541 savings customers (2021: 722 921).

Our **footprint**



1 Ghana

L D LS

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

EMPLOYEES	**181**	(2021: 185)
CUSTOMERS	**5 238 126**	(2021: 4 587 923)
OUTLETS	**26**	(2021: 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	**235**	(2021: 282)
CUSTOMERS	**100 618**	(2021: 94 837)
OUTLETS	**21**	(2021: 22)

3 Uganda

L LS

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

EMPLOYEES	**182**	(2021: 192)
CUSTOMERS	**35 590**	(2021: 41 748)
OUTLETS	**43**	(2021: 44)

4 Kenya

L I LS

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

EMPLOYEES	**148**	(2021: 156)
CUSTOMERS	**9 049**	(2021: 11 125)
OUTLETS	**29**	(2021: 29)

5 Rwanda

L D

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

EMPLOYEES	**55**	(2021: 52)
CUSTOMERS	**15 671**	(2021: 14 462)
OUTLETS	**4**	(2021: 4)

6 Tanzania

L D T LS

Letshego Bank Tanzania

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

EMPLOYEES	**74**	(2021: 79)
CUSTOMERS	**384 999**	(2021: 358 349)
OUTLETS	**175**	(2021: 179)

Faidika Tanzania

L LS

Faidika opened doors in 2006.

EMPLOYEES	**56**	(2021: 59)
CUSTOMERS	**26 587**	(2021: 27 755)
OUTLETS	**102**	(2021: 103)

7 Mozambique

L D T

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

EMPLOYEES	**166**	(2021: 169)
CUSTOMERS	**386 784**	(2021: 318 249)
OUTLETS	**463**	(2021: 466)

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 the Namibian Stock Exchange in 2017.

EMPLOYEES	**148**	(2021: 157)
CUSTOMERS	**114 570**	(2021: 84 714)
OUTLETS	**17**	(2021: 16)

9 Botswana

L I LS

Opened doors in 1998.

EMPLOYEES	**156**	(2021: 149)
CUSTOMERS	**35 967**	(2021: 32 198)
OUTLETS	**15**	(2021: 15)

10 Eswatini

L LS

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

EMPLOYEES	**29**	(2021: 27)
CUSTOMERS	**303 892**	(2021: 137 026)
OUTLETS	**3**	(2021: 3)

11 Lesotho

L LS

Opened doors in 2012.

EMPLOYEES	**49**	(2021: 45)
CUSTOMERS	**5 056**	(2021: 4 984)
OUTLETS	**5**	(2021: 5)

Our business model

	Resources	Inputs	Constraints and challenges
FINANCIAL	The pool of funds that support our business operations.	▶ P5.7 billion equity capital (2021: P5.5 billion). ▶ P8.0 billion debt capital (2021: P7.4 billion). ▶ P1.12 billion customer deposits (2021: P1.18 billion).	▶ A tough economic environment. ▶ Investing in our digital transformation while retaining the long-term support of our providers of capital.
HUMAN	The capabilities, experience and innovation of our employees who drive the achievement of our strategy.	▶ Experienced and ethical leadership team. ▶ 1 705 skilled permanent employees (2021: 1 765). ▶ P5.1 million training and development spend (2021: P4.1 million).	▶ Attracting and retaining scarce talent. ▶ Maintaining a motivated workforce. ▶ Fierce competition for skills.
MANUFACTURED	The facilities and general infrastructure that support our business operations.	▶ 903 physical access points (2021: 912). ▶ P72 million invested in our physical infrastructure, including the upgrading of our branches (2021: P113 million). ▶ Information technology infrastructure. ▶ Digital platforms.	▶ Finding the right balance between our physical footprint and digital customer access.
INTELLECTUAL	The institutional knowledge and experience that protects our reputation and drives our competitive advantage.	▶ An innovation and high-performance culture. ▶ The Agile Ways of Work programme. ▶ A trustworthy brand that resonates with consumers. ▶ Information technology and enterprise architecture. ▶ Balance sheet management. ▶ Market and data analysis. ▶ P223 million invested in our digital transformation, including the LetsGo Digital Mall (2021: P67 million).	▶ Regulation associated with new business development. ▶ Change fatigue among employees. ▶ The automation of routine tasks may reduce the need for certain job roles as efficiencies are improved.
SOCIAL AND RELATIONSHIP	Our relationships and partnerships with our key stakeholder groups.	▶ The quality of our stakeholder relationships. ▶ Business activities that deliver a positive social impact. ▶ Responsible ESG practices.	▶ Balancing the diverse interests of key stakeholder groups.
NATURAL	Renewable and non-renewable natural resources needed for everyday activities.	▶ Energy (electricity and fuel). ▶ Water.	▶ Manage the impact of our business activities on the environment responsibly.

OUR **CONTEXT**

Our stakeholders

A keen understanding of our stakeholders enables us to respond appropriately to their needs and expectations, and shape our strategy and operations to deliver enhanced tangible value to:

- Customers.
- Employees.
- Investors and funders.
- Strategic partners.
- Governments and regulators.
- Communities.

Page 12

Our risks and opportunities

Our enterprise risk management framework ensures that we effectively identify, assess, monitor, control and report our risks, and maximise our opportunities. Stakeholder feedback is considered when reviewing our risks:

- Operational risk.
- Capital risk.
- Credit risk.
- People risk.
- Compliance risk.
- Treasury risk.
- IT governance and cybersecurity risk.
- Product risk.
- Market/business risk

Page 16

Our operating environment

Within our operating environment, our ability to create value is impacted by a number of factors, which we are not able to fully mitigate as they are not entirely within our control.

- Fragile economic recovery.
- Rapid technology advances.
- War for talent.
- Increasing levels of cybercrime.

Page 16

OUR **VISION**

To be a world-class retail financial services organisation that meets the needs of mass and middle-income individuals and MSEs.

OUR **STRATEGY**

- Product diversification
- Execution engine
- Digitalisation
- Sustainable stakeholder value
- Geographic rebalancing

Page 20

OUR 6-2-5 EXECUTION **ROADMAP**

6 Strengthening our foundation (productivity of solutions).

2 Become customer-led (invest in transformative technologies).

5 Create the future organisation (leverage platform thinking).

Page 26

OUR OUTPUTS AND **ACTIVITIES**

Lending	Savings	Payments	Insurance	Lifestyle
LetsGo borrow	LetsGo save	LetsGo pay	LetsGo insure	LetsGo live

Page 10

OUR MANAGEMENT **SYSTEMS**

Support functions

People and culture.

Page 74

Transformative technologies.

Page 14

Strategic partners.

Page 101

Control functions

Compliance management.

Page 108

Risk management.

Page 106

Internal assurance (audit).

Page 107

Corporate governance

Oversight of strategic execution.

Setting an ethical tone.

Page 94

OUR **OUTCOMES**

... FOR CUSTOMERS

- A wide range of financial solutions that are simple, appropriate and accessible.
- Access to our products from multiple, convenient and easy-to-use digital channels.
- Customised solutions that support MSE growth.
- An agile organisation able to quickly respond to changing consumer needs.
- Customised credit scoring tools that support access to credit for more customers.
- An excellent customer experience supported by trained and knowledgeable employees and data analytics that enhance our understanding of our customers.

... FOR EMPLOYEES

- Opportunities to advance careers and professional development.
- Upskilling to digitally enabled ways of working.
- A safe working environment and access to employee wellness programmes.
- 13% turnover rate (2021: 14%).
- P586 million paid in salaries and benefits (2021: P546 million).
- 82% of employees received training (2021: 17%).
- 22 627 learning hours completed (2021: 45 423 hours).
- Women comprise 48% of the workforce (2021: 48%).

... FOR INVESTORS AND FUNDERS

- Total income of P3.68 billion, up 6%.
- Profit before tax of P801 million, down 30%.
- Return on equity decreased to 8%.
- Earnings per share reduced by 41%.
- Final dividend per share of 9.7 thebe.
- A Transformation Strategy that will develop distinctive capabilities that cannot easily be replicated, creating a competitive advantage.
- A capital optimisation plan that ensures disciplined capital allocation.
- A strong balance sheet that supports the growth of our competitive market position.
- Ba3 (stable) long-term issuer rating and corporate family rating (Moody's).
- A corporate mandate with a strong focus on financial inclusion and related positive social impacts, supporting our social licence to operate.

... FOR STRATEGIC PARTNERS

- Mutual benefits and profitability from shared markets, services and technology.
- An information technology infrastructure that supports quick deployment of partner technologies.

... FOR GOVERNMENTS AND REGULATORS

- Taxes paid of P345 million (2021: P423 million).
- Materially complied with relevant legislation, governance frameworks and industry standards.
- Collaboration with industry and regulatory working groups and governments to strengthen the financial services sectors in our markets of operation.

... FOR COMMUNITIES

- Around 2 000 jobs supported, including direct and indirect sales agents.
- Hiring of local people.
- Our programmatic lending which supports access to affordable housing, healthcare, education and agriculture funding.
- P2.0 million invested in corporate social investment (2021: P1.7 million).
- Responsible management of waste and emissions, and sustainable use of natural resources.
- Green efficiencies at our new head office building.

Our **five value streams**

Digital Transformation Strategy

A key enabler of growing our value streams, reaching more customers and providing inclusive financial services is our digital transformation, particularly the LetsGo Digital Mall (available in 10 of our markets). The Mall which offers our customers fast and easy access, simplicity, affordability and inclusivity across multiple secure channels: website, unstructured supplementary service data (USSD), mobile phone and WhatsApp.

Digitalisation: Page 56

1 Lending

ACCESS TO FUNDING

We offer loans at affordable interest rates and focus on the productive use of funding where customers are able to make repayments from the income generated by the loan. This helps to minimise the risk of customer over-indebtedness and reduces the number of non-performing loans.

Our data driven, customised credit scoring tools support our ability to accurately assess credit risk across all our lending portfolios, allowing us to provide loans to more individuals and MSEs.

Improving lives: access to capital empowers our customers to improve their circumstances, grow their businesses and achieve their life goals and objectives.

Product diversification: Page 48

Key products	Availability
Fully digitised **deduction at source (DAS) loans** – a payroll deduction scheme for employed individuals (public and private sectors).	▸ All 11 markets. ▸ Digitised: ✓
Instant Loans are small loans granted quickly. Customers with documentation on file receive their cash on average within 10 minutes from loan application. Responsible management of these loans helps customers develop their credit profile.	▸ Six markets. ▸ Digitised: ✓
Our **MSE lending** solutions are customised to support business growth. Solutions range from the provision of working capital and short-term loans to ecosystem financing.	▸ Six markets. ▸ Digitised: select markets.
Our **programmatic lending** offers much needed funding solutions that address social needs (affordable housing, education, healthcare etc.) in a digital and more accessible way. These products aim to create demonstrable and sustainable social impact while also delivering commercial value.	▸ Affordable housing in Botswana, Ghana and Namibia. ▸ Green lending in Ghana. ▸ Education loans in Botswana. ▸ Digitised: certain products.

2 Savings

MOBILISING SAVINGS

Our savings accounts offer competitive interest rates and customers are guaranteed access to their money whenever they need it.

Improving lives: our savings products provide customers with a safe place to save so that they can pay for unforeseen costs and prepare for future costs such as a child's education.

Product diversification: Page 48

Key products	Availability
The **Flexi-Save Account** is a digital, interest-bearing savings account that can be accessed when needed.	▸ Ghana and Namibia. ▸ Digitised: ✓
The **LetsGo Save Account** is a savings account available in deposit-taking regions.	▸ Six markets. ▸ Digitised: Namibia and Mozambique have Mastercard access.
The **Timiza Akiba mobile money savings** solution (available to Airtel Mobile Money customers) is a fee-free solution that delivers a monthly reward when customers achieve a savings goal.	▸ Tanzania.

3 Payments

SIMPLE AND SECURE PAYMENTS

Improving lives: technology driven money transfers such as wallets are increasingly becoming the most effective way to provide financial services and drive financial inclusion. We bring these services to our customers using agency banking, USSD and mobile banking.

Product diversification: Page 48

Key products	Availability
The **LetsGoPay Digital Account** enables customers to make USSD payments, send and receive money, and save and borrow; instantly, easily, anytime and anywhere.	▸ Six markets. ▸ Digitised: ✓
Our **inward remittance service** allows migrants in Malawi, South Africa and Zambia to send money home to their families in Mozambique.	▸ Mozambique.

4 Insurance

PROTECTING AGAINST RISKS

A comprehensive range of insurance offerings, including digital insurance products in key markets.

Improving lives: our insurance, healthcare insurance and life cover products help our customers secure their wealth, financial fitness and wellbeing to meet potential losses or risks in the future.

Product diversification: Page 48

Key products	Availability
Credit insurance is embedded in the repayment terms of most of our loans.	▸ All 11 markets. ▸ Digitised in 10 markets.
Our short-term standalone digital insurance products include funeral and motor cover.	▸ Kenya, Namibia, Nigeria, Tanzania, Eswatini and Botswana. ▸ Digitised: ✓
Our **long-term standalone insurance** products include education in Nigeria. Our non-digital insurance products include term life in Botswana (covering death, disability and critical illness) and motor insurance in Mozambique.	▸ Botswana, Nigeria and Mozambique.

5 Lifestyle

BEYOND BANKING

Improving lives: through our strategic partnerships, we are diversifying beyond traditional financial solutions to offer customers dynamic value-adding lifestyle solutions (wellbeing, education and personal finance).

Product diversification: Page 48

Key products	Availability
Our **Digital Wellbeing** product provides customers with access to online health and wellness information.	▸ Botswana, Eswatini, Ghana, Kenya, Lesotho, Namibia, Nigeria, Tanzania and Uganda. ▸ Digitised: ✓

Our **key relationships**

Numerous stakeholder groups, economies and communities are affected by our operations, and 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. Building robust relationships with our stakeholders, and addressing their feedback and concerns, helps us shape and enhance our strategy and operations to deliver tangible value, and identify opportunities to collaborate with them to realise mutual benefits.

CUSTOMERS

Our customers are the reason we are in business. Our market knowledge, customer engagement channels and data all contribute to our understanding of our customers in order to develop relevant and attractive products in an increasingly competitive financial services sector.

How we engage

- Marketing campaigns.
- Customer polls and surveys.
- Physical branches.
- Call centres.
- Digital access channels.
- Customer focus groups.

Their needs and expectations

- Simple, appropriate and accessible financial solutions.
- Convenient access to services, increasingly through digitised channels.
- Excellent customer service that is fast and efficient.
- Empowering information that supports financial wellness.
- Transparency.
- Ethical and fair treatment.

Our response

- An increasing range of products and services.
- The LetsGo Digital Mall (a one-stop-shop).
- Stable and secure systems and digital channels.
- Automated processes that shorten turnaround times.
- Ethical and compliant market conduct.

EMPLOYEES

Our people are at the centre of our ability to create a memorable experience for our customers and deliver on our brand promise to improve lives. It is their confidence in our strategy, their motivation to successfully deliver on our strategic objectives, and their creativity and collaboration in delivering value to our stakeholders that determine the success and sustainability of our business.

How we engage

- Intranet and email updates.
- Group and country townhalls.
- Leadership training and development.
- Employee engagement events, including engagement surveys and virtual sessions.
- Employee performance framework.
- Volunteering opportunities.
- Employee incentive programmes.
- Teambuilding events.
- Agile-inspired[1] events.

Their needs and expectations

- Effective performance management.
- Fair remuneration and recognition.
- Clear communication.
- An empowered culture.
- A safe and healthy work environment.
- Training, skills and career development.
- Transparent talent management.
- Consistent human resources policies and practices.

Our response

- The #PeopleFirst strategy.
- Employee value proposition.
- Digitised performance management reviews.
- Employee awards.
- Engagement initiatives on strategy and culture, to elicit employee feedback.
- Employee wellness programmes.
- The learning and development strategic skills framework.
- Online learning platform.
- All subsidiary People and Culture teams report to the Group to support a consistent approach to our human capital management.

1 *Agile is a way of working that enables teams to deliver work in small, workable increments, increasing the frequency of tangible outputs, supporting efficiencies in execution and enabling the Group to deliver value to our customers with ease.*

INVESTORS & FUNDERS

Clearly motivating our strategy and how we aim to achieve long-term sustainability is critical in earning the trust and confidence of our investors and funders, which in turn, gives us access to the capital and funding we need to deliver on our strategy and growth ambitions and to enhance our operations.

How we engage

- Online investor portal.
- Financial results and releases.
- Investor and funder updates.
- Engagement events.
- Financial, integrated and impact reports.
- Website updates.
- Automated email alert mechanism for investor subscription.
- Share price alerts and updates.
- Global investor calls.

Their needs and expectations

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

Our response

- Responsible business practices.
- The Transformation Strategy supported by the execution roadmap.
- Leadership development programmes.
- Effective risk management frameworks.
- Proactive balance sheet management and capital optimisation.
- Strong liquidity ratios in all our markets.
- Robust corporate governance structures.

STRATEGIC PARTNERS

Our strategic partners are a core part of our strategy, supporting a differentiated customer value proposition and experience. We enjoy the support, synergy and partnership of leading-edge and well-established organisations, that provide either the funding to support our programmatic lending or the technology and know-how to provide diversified and digital products and services.

How we engage

- Financial, integrated and impact reports.
- Shareholder and stock exchange announcements.

Their needs and expectations

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

Our response

- Selecting partners with whom we are able to maximise synergies.
- Sharing services with partners who have complementary customer segments to maximise benefits.
- Partnering with businesses that have a strong presence in Africa to extend our reach in top growth markets.
- Ethical and compliant market conduct.

GOVERNMENT & REGULATORS

Financial services sectors are highly regulated. Compliance with the requirements of governments, central banks and prudential authorities, and other regulators, builds stakeholder confidence and trust, and enhances our reputation. Robust relationships with these stakeholders support our understanding of what the Group must do to ensure compliance with current and upcoming regulation.

How we engage

- Government relations framework.
- Regulatory updates and reporting.
- Financial, integrated and impact reports.
- Shareholder and stock exchange notices.
- Investor and funder updates.
- Engagement events.
- Website updates.
- Annual general meetings.

Their needs and expectations

- Compliance with applicable legal and regulatory requirements.
- Appropriate capital adequacy and liquidity.
- Responsible tax payment.
- Strengthening national financial systems.
- Risk and cybercrime management.
- Improving credit for people in lower-income groups.
- Active participation and contribution to industry and regulatory working groups.
- Support for government objectives to improve access to credit for people in lower-income groups.

Our response

- Robust compliance and risk management frameworks.
- Proactive balance sheet management and capital optimisation.
- Responsible taxpayer in all jurisdictions of operation.
- Active participation and contribution to industry and regulatory working groups.
- Robust cybersecurity frameworks and controls.
- The Group's financial inclusion mandate.

COMMUNITIES

To ensure that our products and services meaningfully address critical societal concerns and deliver positive impacts for society, we must find ways to engage with communities to understand how our products and services impact them and where we can do better.

How we engage

- Open dialogue and interaction.
- Social media platforms.
- Website.
- Advertising and marketing.

Their needs and expectations

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

Our response

- The Group's financial inclusion mandate.
- Our programmatic lending is designed to increase access to affordable housing, healthcare, education and agriculture financing.
- Our corporate social investment initiatives.

Customer insight

We use the capabilities of a global, tech-enabled social impact measurement company, 60_Decibels, which combines deep expertise, technology and a global network of over 750 researchers to collect customer-level impact performance data. The surveys help us understand the personal motivators, daily challenges, financial habits and individual needs of our customers, and they provide insight on what our loans are used for and how we can deliver greater impact in the future. Questions relating to customer satisfaction, customer trust and experience, and challenges encountered are also included as part of the survey.

We conducted a social impact survey across all 11 of our markets. Overall, the results showed that Letshego is making a positive difference in enabling its customers to access financial services and improve their financial wellbeing.

Survey results

2 262 customers

Customer first

83%

of respondents agreed that Letshego puts the interest of the customer first.

Fair treatment

86%

of respondents said that Letshego treats customers in a fair manner.

Fee transparency

79%

of respondents agreed that Letshego is fully transparent on its fees.

Trust

82%

of respondents trust Letshego with their money.

Social impact review: Page 80

Our **operating environment**

FRAGILE **ECONOMIC RECOVERY**

Description

The economic impact of COVID-19 continued to linger in the regional markets in the first half of the year, compounded by the impact of the Russia/Ukraine war on energy and food prices and rising inflation levels worldwide. In the second half of the year, inflation worsened, global commodity prices increased, supply chain bottlenecks continued and productivity levels remained sub-optimal. Many central banks tightened their monetary policies to curb inflation, with marked increases in reference rates. Together, these factors have contributed to lower consumer income, depreciation of local currencies against a strengthening US Dollar and lagging recoveries for MSEs, causing a slowdown in the Group's business momentum.

As consumer affordability comes under pressure, uptake of loans decreases. In addition, the risk of over-indebtedness increases, negatively impacting our expected credit losses. This requires a prudent lending management approach for new loans in higher risk segments and geographies, prioritising portfolio remediation and placing increased focus on collections.

Africa's economic outlook remains mixed. It features several of the fastest-growing economies in the world, but the average growth rate is below the global average and has slowed from the more positive trajectories of 2021. According to Fitch forecasts, Kenya, Rwanda, Tanzania and Uganda will experience real gross domestic product (GDP) growth of 5% or more in 2023 and 2024. Sub-Saharan Africa's prospects are tied to developments in the global economy and regional debt is approaching levels last seen in the early 2000s (around 56% of the region's GDP[1]). The International Monetary Fund projects an average inflation rate of 11.9% in 2023 for the region. Ultimately, sub-Saharan Africa's prosperity will require the implementation of policies that stimulate sustainable economic recovery[2].

Opportunities

- As sectors and industries adapt to become more resilient in current economic climates this may accelerate Africa's development.
- East and West African markets are expected to outperform Africa's average GDP growth in the next five years[3].

Top business risks

- Capital risk.
- Credit risk.
- Compliance risk.
- Treasury risk.
- Market/business risk.

Our response

Our strategic pillars: page 20.

Our 6-2-5 execution roadmap: page 26.

Geographic rebalancing: page 62.

Sustainable stakeholder value: page 66.

[1] *https://www.imf.org/en/Publications/REO/SSA/Issues/2022/10/14/regionaleconomicoutlook-for-sub-saharan-africa-october-2022.*
[2] *https://www.weforum.org/communities/africa and International Monetary Fund Regional Economic Outlook Sub-Saharan Africa (October 2022).*
[3] *International Monetary Fund.*

RAPID **TECHNOLOGY ADVANCES**

Description

Access to the internet in Africa is gaining momentum driven by improved telecommunication infrastructure and rising adoption of mobile devices. In 2022, the continent had around 570 million internet users, more than double when compared to 2015. The internet penetration rate stood at around 43% in 2021, below a global average of 66%[4]. By 2030, Africa's internet connectivity could be on par with the rest of the world. This presents many opportunities; mobile technologies alone have already generated 1.7 million jobs and contributed USD144 billion to the continent's economy, or roughly 8.5% of GDP[5]. This trend is expected to pick up pace in coming years. According to The Mobile Economy, USD154 billion in economic value will be generated by mobile technologies and services in sub-Saharan Africa alone by 2025, and 4G will account for a third of mobile connections in the region, compared to under a fifth of connections in 2021[6].

Digital technology has the potential to drive socioeconomic advancement; it can be leveraged to build economies that are more resilient to future shocks, enhance productivity and efficiency in service delivery, and advance the plight of vulnerable members of society. However, to do so policymakers must introduce measures to support network investments and improve the affordability of digital services for consumers.

Over 50% of Africa's 1.3 billion people are younger than 20 years old, and are likely to adopt digital services faster than their parents. Current demand for digital products and services is therefore likely to increase as these young people become our future customers.

Opportunities

- 613 million users in sub-Saharan Africa are expected to subscribe to mobile services by 2025[7].
- Partnering with fintechs to transform our business and improve our service to customers.
- Cross-regional integration of our systems, products and services.
- Intelligent decision-making supported by data analytics.

Top business risks

- Operational risk.
- People risk.
- Compliance risk.
- IT governance and cybersecurity risk.
- Product risk.
- Market/business risk.

Our response

Product diversification: page 48.

Digitalisation: page 56.

Execution engine: page 64.

People and culture report: page 74.

[4] *Internet usage in Africa – statistics & facts | Statista.*
[5] *International Finance Corporation.*
[6] *https://www.gsma.com/mobileeconomy/sub-saharan-africa/.*
[7] *https://www.gsma.com/mobileeconomy/sub-saharan-africa/.*

WAR FOR **TALENT**

Description

By 2050, about 40% of the world's population under 18 will have been born and raised in Africa. With continued and robust investment and development, Africa's 1.3 billion people are likely to become the world's most rapidly expanding workforce and consumer market[8]. Mainstreaming digital skills, particularly among those entering the workforce, will accelerate economic progress and could potentially make Africa home to multiple global centres of innovation. To realise this potential requires the collaboration of governments, the private sector, civil society and Africa's development partners.

About 87% of African business leaders identify digital skills development as a priority in need of further investment. Currently, African countries score between 1.8 and five on the Digital Skills Gap Index, far below the global average of six. Of the world's 20 countries with the weakest digital skills, 12 are in Africa, and only 11% of Africa's tertiary education graduates have formal digital training. To meet the demand for digital services on the continent, 650 million workers would need to be trained or retrained in digital skills by 2030[9].

A Korn Ferry report finds that by 2030, more than 85 million jobs globally could go unfilled because there aren't enough skilled people to take them[10]. At a time when the majority of businesses are technology driven, and almost every job role is impacted by technology, existing skills are becoming obsolete faster than ever before and companies are fiercely competing for talent. The upskilling and reskilling of workforces is a strategic imperative and should be part of long-term investment strategies. Businesses that create strong digital talent pipelines will realise new competitive advantages.

Soft skills such as empathy, emotional intelligence and the ability to collaborate and connect with diverse team members are also becoming increasingly relevant in a fast-changing world of work. Programmes that focus on leadership development, business management and cross-cultural and cross-functional competencies are just as critical as digital programmes[11].

Opportunities

- An employee value proposition that attracts and retains key talent.
- Development programmes that future-proof our business.

Top business risks

- Operational risk.
- People risk.

Our response

Execution engine: page 64.

People and culture report: page 74.

8 https://www.bcg.com/publications/2022/africas-opportunity-in-digital-skills.
9 https://www.bcg.com/publications/2022/africas-opportunity-in-digital-skills.
10 https://www.kornferry.com/insights/this-week-in-leadership/talent-crunch-future-of-work.
11 https://www.weforum.org/agenda/2023/01/5-ways-develop-digital-skills-davos2023/.

INCREASING **LEVELS OF CYBERCRIME**

Description

With technological advancement comes an increase in cyber threat, exposing Africans to connectivity-driven crime across multiple access points and increasing the risk for organisations like financial services providers that hold valuable data. In addition, cyberattacks are becoming increasingly sophisticated, meaning that the costs to secure and upgrade systems is burdensome for many African companies, with many being unprepared for cyberattacks.

Only a small number of countries have laws in place to protect consumers and businesses. The Global Cybersecurity Index (2021) showed that of 54 African countries assessed, only 29 had cybersecurity legislation[12]. Interpol's Africa Cyberthreat Assessment Report found that more than 90% of businesses in Africa were operating without the necessary cybersecurity protocols. Rapid technological advancement on the continent together with the low maturity of cybersecurity means that cybercriminals target Africa as the most vulnerable of global business networks. Many African countries are witnessing a rise in digital threats and malicious cyber activities.

In 2021, cybercrime reduced GDPs across Africa by 10%, resulting in a USD4 billion loss. The top five threats are online scams, digital extortion, business email compromise, ransomware, and botnets – most distributed through emails. Over 679 million cybercrime-related emails were detected[13].

Opportunities

- A reputation for having secure and stable digital platforms that allow people to save their money safely and protects their personal information.
- Employee awareness and training.

Top business risks

- Operational risk.
- Compliance risk.
- IT governance and cybersecurity risk.

Our response

Digitalisation: page 56.

12 https://www.weforum.org/agenda/2022/08/africa-must-act-to-address-cybersecurity-threats/.
13 https://techcabal.com/2022/05/06/africa-cybercrime-cyber-africa-forum/.

LAGGING **DEVELOPMENT PROGRESS**

Description

In the current economic environment, rising food and energy prices are impacting Africa's most vulnerable. With 123 million people exposed to acute food insecurity in sub-Saharan Africa, lives are at risk. In addition, many countries in Africa face socio-political uncertainty as well as high levels of unemployment, poverty and inequality, resulting in a rising incidence of insurgencies. As a result, the economic and social risk profile of most of our operating markets has increased.

Overall, the average score across all African member states in the SDG Index[14] in 2020 was 53.82, slightly higher than the 2019 average. While good progress has been made in Africa on issues such as maternal and child deaths, incidents of infectious diseases, low primary school enrolment, youth literacy and women in government, the average score implies that Africa is still only halfway towards achieving the SDG targets by 2030. Today, nearly 40% of all Africans are still living in extreme poverty[15].

There are 1.4 billion unbanked adults in Africa[16] with women being disproportionately affected by financial exclusion. Many mass to middle-income customers are unable to qualify for mortgages, some 615 million people do not receive adequate healthcare and over one-fifth of African children between the ages of 6 and 11, and nearly 60% of youth between the ages of 15 and 17, are not enrolled in school. Around 200 million small businesses in emerging economies today have no safe way to save and invest their money. They rely on informal lenders and personal networks for credit[17]. Affordable financing has become even more scarce for these businesses following the COVID-19 pandemic given their vulnerability to economic shocks.

Africa has a rich youthful and entrepreneurial energy. In 2019, there were more than 600 technology hubs that support digital startups[18]. Investment in technology startups reached just over USD700 million in 2020 compared with USD492 million in 2019[19]. This bodes well for the introduction of innovative solutions that ease some of the continent's key social challenges, accelerating the pace of sustainable socioeconomic development.

Opportunities

- The mass and middle-income segments present approximately USD5 billion in market opportunities across the countries in which we operate, and MSEs approximately USD1 billion[20].
- Developing innovative products and services that support financial inclusion, home ownership, healthcare, education, agriculture and gender equality.
- Delivering digital channels that bring more people into the formal financial system.
- Working with sector experts, our customers and governments on collective action that supports inclusive and sustainable socioeconomic development.
- Creating a connected community of like-minded Africans to drive Africa's growth.

Top business risks

- Operational risk.
- Market/business risk.

Our response

Our five value streams: page 10.

Product diversification: page 48.

Digitalisation: page 56.

Sustainable stakeholder value: page 66.

Social impact review: page 80.

14 *The SDG Index is an assessment of each country's overall performance against the 17 SDGs, giving equal weight to each goal. The score signifies a country's position between the worst possible outcome (score of 0) and the target (score of 100). The index is peer reviewed and statistically audited by the European Commission.*
15 https://www.uneca.org/stories/africa%E2%80%99s-progress-towards-achieving-the-sdgs-and-targets-needs-strategic-acceleration-%E2%80%93-2020.
16 https://www.worldbank.org/en/publication/globalfindex/interactive-executive-summary-visualization.
17 https://www.mckinsey.com/industries/financial-services/our-insights/mobile-money-in-emerging-markets-the-business-case-for-financial-inclusion.
18 https://briterbridges.com/618-active-tech-hubs.
19 https://www.bcg.com/publications/2022/africas-opportunity-in-digital-skills.
20 Letshego research.

Our **five conversations**

Our Transformation Strategy is designed to reposition Letshego as an **inclusive, digital-first, retail financial services** provider that supports mass and middle income segments and MSEs in Africa. A world-class organisation that has the stability, security and experience of a traditional bank but is also adaptable, nimble and technology driven like a fintech with the skills and capabilities needed to be future-fit. Our transformation will unlock significant enterprise value for our customers and investors, and deliver tangible social benefits for all stakeholders.

Our strategic imperatives are encapsulated in the five strategic pillars or 'five conversations' set out below.

Product diversification

STRATEGIC CONVERSATION

Why this is important	The mass and middle-income and MSE segments, previously under-served by traditional financial services, present a number of growth opportunities for the Group. Our partnerships with fintechs and mobile network operators is enabling us to rapidly diversify our product mix and make new and relevant services and solutions available to a growing database of customers.
What we aim to do	Broaden our scope of solutions within our five value streams (lending, payments, savings, insurance and lifestyle solutions) leveraging digitisation and agile methodologies.
Our opportunities	▶ Product reset on MSE to complement the DAS offering. ▶ Increased customer satisfaction. ▶ Mutually beneficial partnerships. ▶ Increased retail deposit-taking and savings mobilisation. ▶ Expanded market reach. ▶ Contribution to Africa's socio-economic development.
Our risks and challenges	▶ Increased competition in the financial services sector. ▶ Transitioning our brand from a microfinance business to a retail financial services provider.
Stakeholder groups impacted	▶ Customers. ▶ Employees. ▶ Investors and funders. ▶ Strategic partners. ▶ Government and regulators. ▶ Communities.
How we measure progress	▶ Market penetration. ▶ Customer feedback. ▶ Asset quality. ▶ Loan loss ratio.

Digitalisation

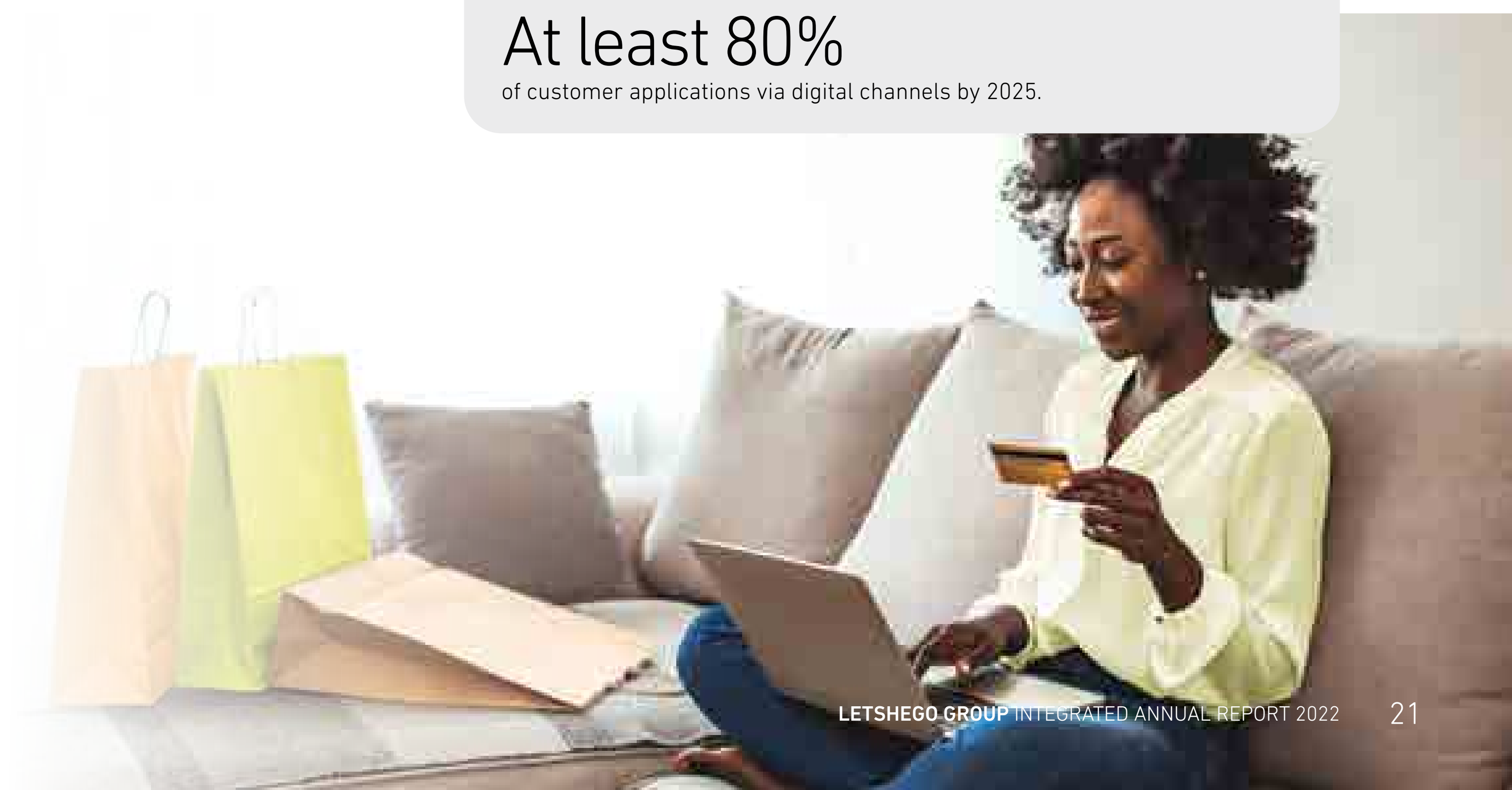
STRATEGIC CONVERSATION

Why this is important	Our digital transformation will bring together data from across the Group to deliver process innovation and efficiencies. Workflow automation, advanced processing and data analytics will support better insight on customer journeys to inform the development and delivery of simple and relevant solutions that meet customers' needs and help them improve their lives.
What we aim to do	Leverage the LetsGo Digital Mall to exponentially grow the customer base, support our product diversification and grow the Letshego brand.
Our opportunities	▶ An enhanced customer experience. ▶ Modern systems that decrease manual processing risk. ▶ Efficient workflows. ▶ Strengthened information security. ▶ Reaching the growing African youth segment.
Our risks and challenges	▶ Increased risk of cybercrime. ▶ Inadequate telecommunications infrastructure and high cost of data across Africa. ▶ Increasing regulation around data protection. ▶ Digital skills shortages.
Stakeholder groups impacted	▶ Customers. ▶ Employees. ▶ Investors and funders. ▶ Strategic partners. ▶ Communities.
How we measure progress	▶ The number of customers registered on the LetsGo Digital Mall. ▶ Digitised customer transactions. ▶ System stability. ▶ Customer feedback. ▶ Repeat sales. ▶ Turnaround times.

Our targets

1 million
registered customers on the LetsGo Digital Mall by 2025.

At least 80%
of customer applications via digital channels by 2025.



STRATEGIC CONVERSATION

Geographic rebalancing

Why this is important	To better balance our regional business, we must find ways to grow our East and West African operations. We have shifted from a one-size fits all approach to identifying the relevant products and services for each market. Exciting opportunities exist in some of our newer geographies.
What we aim to do	Identify and realise local growth opportunities to scale the performance of our East and West African subsidiaries.
Our opportunities	▶ Leveraging centralised centres of excellence. ▶ Growing the strength of the Letshego brand in each market. ▶ Deepening government relationships. ▶ Geographic diversification.
Our risks and challenges	▶ Maintaining compliance with varying regulatory and legal requirements across multiple jurisdictions. ▶ Foreign exchange risks.
Stakeholder groups impacted	▶ Customers. ▶ Investors and funders. ▶ Governments and regulators. ▶ Communities.
How we measure progress	▶ Collective contribution of the East and West African operations to Group profits. ▶ Effective tax rate.
Our target	45% collective contribution of East and West African markets to Group profits by 2025.

STRATEGIC CONVERSATION

Execution engine

Why this is important	Agile organisations comprise cross-functional, self-sufficient teams that collaborate efficiently, maximise productivity and use fewer resources. As we change and improve the way we work in a fast-paced and uncertain operating environment, we must also embed a culture of agility, innovation and high performance.
What we aim to do	Embed new and agile ways of working supported by employee training to enhance productivity and gain efficiencies.
Our opportunities	▶ Empowered and engaged employees. ▶ Enhanced customer satisfaction. ▶ Quick delivery of new products to market. ▶ Reduced operating costs. ▶ Continuous improvement. ▶ Increased functional collaboration. ▶ Increasing employee skill sets.
Our risks and challenges	▶ Scarcity of financial and digital skills. ▶ Succession planning for key roles. ▶ Strengthening institutional knowledge per country operation. ▶ Effective organisational change management.
Stakeholder groups impacted	▶ Employees. ▶ Customers. ▶ Investors and funders.
How we measure progress	▶ Operational productivity and execution efficiencies. ▶ Time to market. ▶ Customer feedback.
Our target	70% employee engagement by 2025.

STRATEGIC CONVERSATION

Sustainable stakeholder value

Why this is important	Achieving long-term shareholder value is contingent on the Group's sustainability, relevance and ability to create value for all stakeholders in a responsible and ethical way. Our success depends on our ability to excellently serve our three chosen customer segments, the relevance of our products, our market share and living our purpose to improve lives through inclusive financial services and positive social impact. We believe that our Transformation Strategy will enhance and escalate our ability to create value.
What we aim to do	Ensure the efficient use of capital to achieve organic and inorganic growth and long-term shareholder value.
Our opportunities	▶ Strong business fundamentals with 25 years of regional experience. ▶ Growing market share. ▶ Reputation as an organisation with good market conduct (governance and ethics). ▶ Meaningful response to the real-life needs of Africans (job creation and access to housing, education, healthcare etc.) – aligned to the objectives of the UN SDGs.
Our risks and challenges	▶ A challenging economic landscape. ▶ Increased competition in the financial services sector. ▶ Diversifying our product range and digitising at speed. ▶ A continuously shifting regulatory landscape.
Stakeholder groups impacted	▶ Customers. ▶ Investors and funders. ▶ Governments and regulators. ▶ Communities.
How we measure progress	▶ Return on equity. ▶ Cost-to-income ratio. ▶ Return on assets. ▶ Loan loss ratio. ▶ Profit growth.
Our targets	> 20% ROE by 2025. ~40% cost-to-income ratio by 2025.

Our intended outcomes

1 Capture new market leading positions
5% to 10% market share in product-segment combinations across our markets

2 Comprehensive product offering
Unique value propositions that meet changing customer preferences.

3 Digital solutions
Digital platforms that are inclusive, expand our reach and deliver an excellent customer experience.

4 Sustainable value creation
A sustainable financial performance with robust returns to shareholders over the long term.

5 Positive social impact
A measurable and sustainable social impact within the markets where we operate, delivering affordable and appropriate financial solutions for emerging customers, including women, youth and entrepreneurs.

Our approach to delivering our strategy

Simplicity
Deliver simple solutions and products to boost customer experience that is fast and efficient with easy-to-use platforms and simple processes.

Focus
Deliver results on the back of integrated, fit-for-purpose product and partner offerings that provide a comprehensive and refreshed customer value proposition that is digitally enabled and drives sales.

Discipline
Ensure that our **performance, capital and risk management** frameworks and processes are appropriate to support the delivery of our strategy and that the **right metrics** are in place to measure performance and support transparent reporting.

6-2-5 execution **roadmap**

Our 6-2-5 execution roadmap sets out how we will achieve our Transformation Strategy.

PLAN 6 Productivity of solutions

Completed ✓

Strengthening our foundation June 2020 to December 2020

In the first six months of our strategy implementation, our goal was to return Letshego to stability. Our focus areas were to strengthen our core business – the provision of DAS accounts – and lay the foundation for product diversification and digital platforms. Many of our Plan 6 targets were achieved ahead of schedule.

What we set out to achieve

- Develop acquisition strategies for all three customer segments (mass, middle income and MSEs).
- Develop a compelling value proposition for each customer segment.
- Leverage our DAS strength and know-how to grow deposits, launch new solutions for MSEs in key markets and identify a diversified product set.
- Digitise access channels for DAS and our savings customers.
- Develop an end-to-end digitalisation and automation to increase operational efficiencies.

Plan 6 key targets	Achieved
Profit before tax of P1 billion	✓
Digital adoption of 69%	✓

PLAN 2 Transformative technologies

Completed ✓

Become customer-led January 2021 to December 2022

Over the past two years – the second phase of our roadmap – we invested in building capabilities and platforms, and implementing the processes to drive our digital transformation and support our transition to an agile and efficient business that better serves customers' needs, and supports sustainable stakeholder returns.

What we set out to achieve

- Expand our product offering to include payments and insurance products.
- Implement end-to-end automation of processes.
- Launch digital tools and platforms to improve customer access and convenience.
- Secure strategic partnerships (both technology-driven and funding partners) to expand our reach and develop inclusive products for existing and potential customers.
- Scale-up solutions that address the needs of each customer segment and deliver greater positive impact.
- Further improve the speed at which we disburse loans – a key differentiator for the Group – supported by digitisation and agile methodologies.
- Realign our organisational structures to support our digital transformation and Agile Ways of Work programme.

Plan 2 key targets	Achieved
Grow to 1 million customers by 2022.	✓

PLAN 5 Platform thinking

We are here

Create the future organisation January 2023 to December 2025

Plan 5 of our strategic implementation sets out our goals to 2025. Particular focus will be placed on providing a refreshed and comprehensive customer value proposition, leveraging our digital assets and continuing to diversify our products to grow revenue and optimise costs.

What we aim to achieve

- Improve and deepen customer centricity and experience.
- Become a fully digitised organisation with an end-to-end digital product offering and a leading information technology enterprise architecture.
- Scale-up all value streams across all three customer segments and in all key markets.
- Create ecosystems that support the entire customer ownership lifecycle of key assets such as homes and vehicles.
- Embed a culture of innovation and high performance.
- Operate a mature talent management approach that supports talent mobility.

Plan 5 key targets

Our 2025 targets are disclosed in the strategic pillars section.

Page 20

Our **ESG framework**

Having the systems, tools and data to effectively manage our risks and adhere to customer protection principles maintains our social licence to operate in all our markets and ensures we maximise returns on investment to our shareholders, investors and society by extending access to inclusive finance solutions in under-served communities.

OUR ESG **JOURNEY**

2016

- Statistical analysis to improve poor loan book performance and develop a social scorecard.
- Launched the social impact scorecard.
- First social impact survey covering five markets.
- Started the integrated reporting journey.

2017

- Mini polls to verify initial observations (across 10 markets).
- Global Reporting Initiative (GRI) alignment and six capitals model.
- 2017 PriceWaterhouseCoopers (PWC) award for integrated reporting.

Spanning both years (2018–2019)

- Second social impact survey (across 10 markets), including new questions on product efficacy.
- Established social indicator correlation to non-performing loans.

2018

- First draft of the Group ESG manual.
- Integrated report included social impact disclosures.

2019

- Published the first impact report.

2020

- Updated the Group ESG manual with the new organisational structure.
- Introduced country-specific ESG manuals.
- Established ESG data dashboards per function.
- Established a partnership with internationally acclaimed research organisation, 60_Decibels.
- 2020 PWC award for integrated reporting.

Spanning both years (2021–2022)

- 60_Decibels conducted a customer social impact survey in 11 countries.
- Survey included microfinance and climate modules for the first time.

2021

- ESG training for all staff.
- Established country ESG champions.

2022

- Partnered with IBIS[1] to operationalise the ESG framework, piloted in Ghana, Nigeria and Tanzania.

1 IBIS is one of the largest specialist sustainable finance advisory firms in Africa and Asia. This work is funded through the DFI Technical Assistance programme.

INFORMING OUR **ESG FRAMEWORK**

SUSTAINABLE DEVELOPMENT GOALS

1 No poverty · 2 Zero hunger · 4 Quality education · 5 Gender equality · 6 Clean water and sanitation · 7 Affordable and clean energy · 8 Decent work and economic growth · 10 Reduced inequalities · 11 Sustainable cities and communities · 12 Responsible consumption and production · 17 Partnerships for the goals

Our key inputs

- Inclusive financial services and products.
- Digitisation.
- #PeopleFirst strategy.
- Stakeholder relationships.
- Regulatory relationships.
- Thought leadership.
- Strategic partnerships.
- Community engagement.

Our mandate

- Extending access to inclusive finance solutions in under-served communities.

Key performance indicators

- Number of appropriate and inclusive products.
- Size of customer base.
- Reduction in levels of over-indebtedness.
- Increasing levels of access to income.
- Improvement in employment opportunities.
- Increased thought leadership.

Guidelines and standards

The World Bank · IFC International Finance Corporation · GRI · IFRS · GIIN

ESG principles

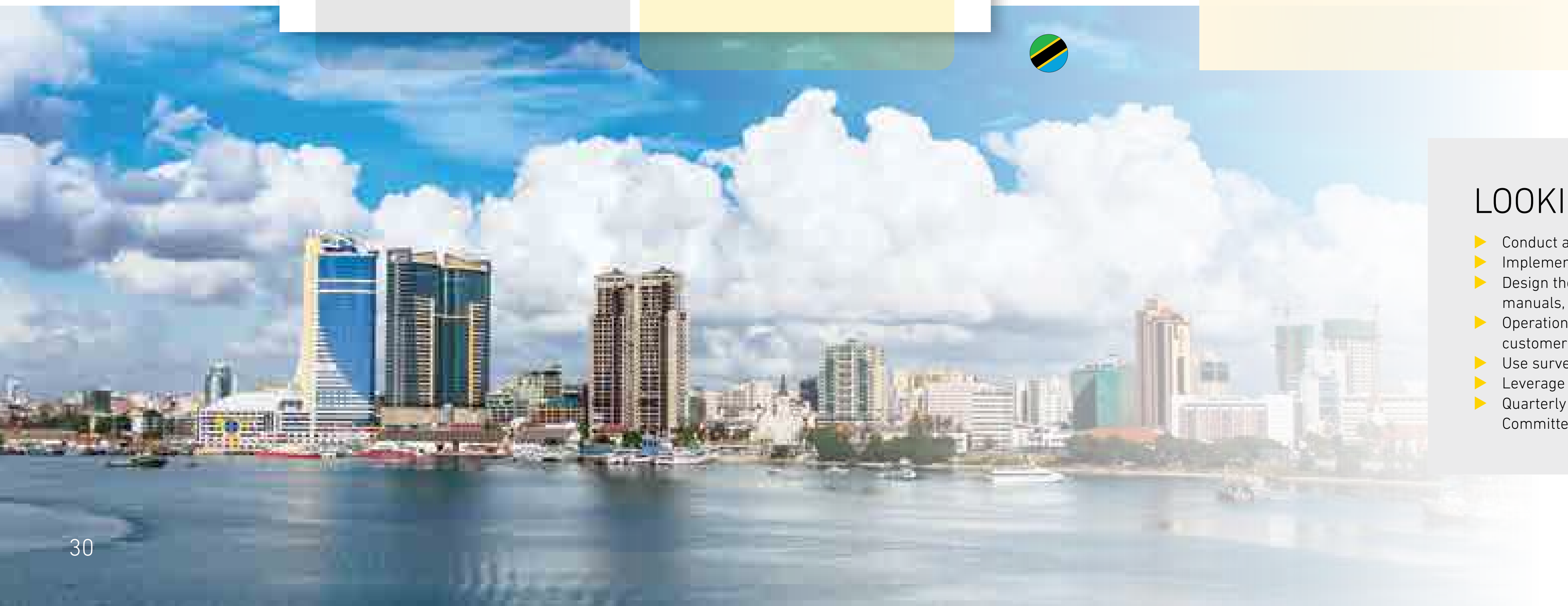
- UN Global Compact (Appendix 13).
- UN Environment Programme Statement of Commitment by Financial Institutions on Sustainable Development (Appendix 14).
- UN Principles of Responsible Banking (Appendix 15).
- International Labour Organization Conventions (Appendix 10).

Enablers of the ESG framework

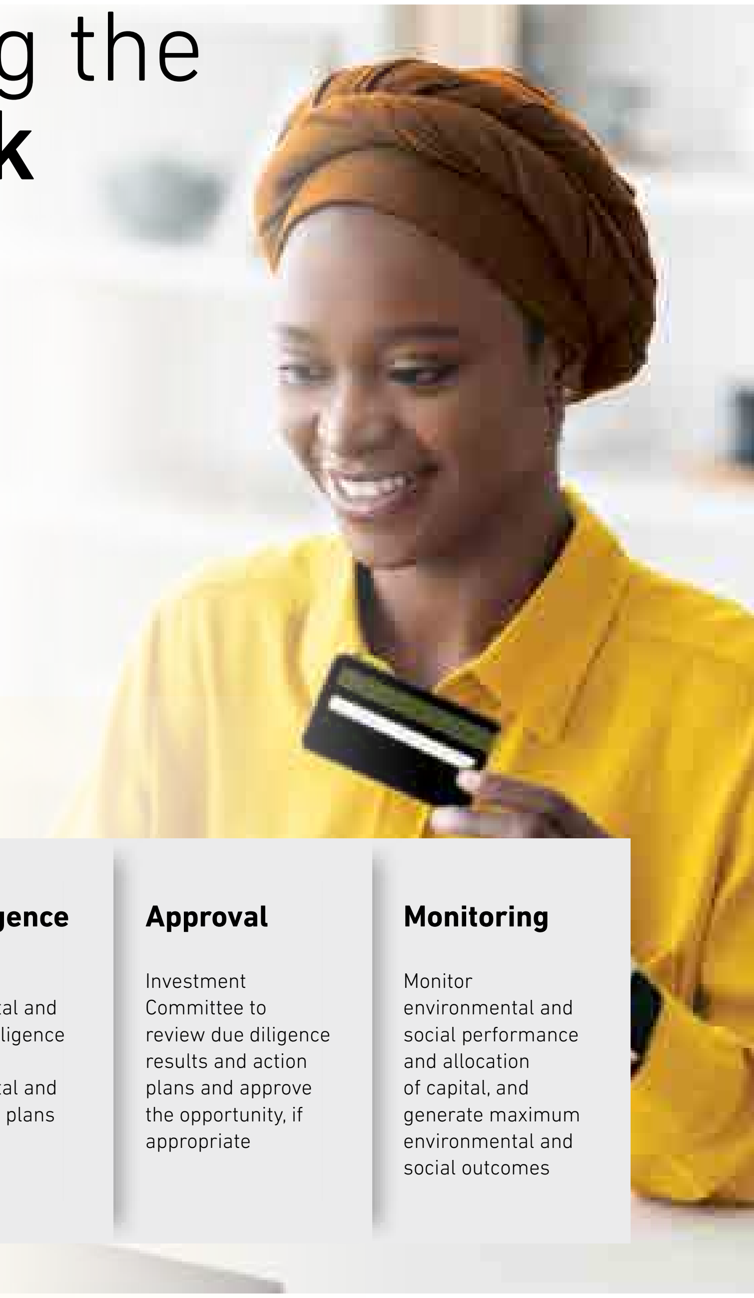
Creating an ESG savvy culture Training of executives, ESG champions and all our employees.	***Digitising ESG data*** Digitising data identification, monitoring and reporting.	***Automating ESG reporting*** Leveraging ESG reporting platforms.

SUSTAINABLE **RETURNS**

	Value creation	Social impact
Lending	▸ Improved return on equity (ROE). ▸ Improved efficiencies. ▸ Product innovation. ▸ Reduced time to market. ▸ Reduced cost of capital.	▸ Reduced inequality. ▸ Productive loan use. ▸ Improved earning capacity. ▸ Improved standard of living. ▸ Job creation.
Saving	▸ Lowered cost of capital. ▸ Reduced risk of loan default.	▸ Economic stimulus. ▸ Improved levels of education. ▸ Access to healthcare. ▸ Reduced inequality.
Payments	▸ Interoperability. ▸ Cross selling. ▸ Inter-sector functionality. ▸ Transactability.	▸ Economic stimulus. ▸ Increased economic activity. ▸ Access to low-cost capital. ▸ Supports lifestyle and dependents.
Insurance	▸ Non-funded income source. ▸ Strategic partnerships to manage risks and extend reach. ▸ Enhanced customer experience.	▸ Personal and family security. ▸ Reduce inequality. ▸ Housing security.



Operationalising the **ESG framework**



A project is underway to operationalise the ESG framework across Ghana, Nigeria and Tanzania. The project determines Letshego's objectives and approach, outlining gap assessments against applicable standards, to updating existing environmental and social policies. The project serves to fit within the Group's ESG framework and develop action plans for all markets. The ESG framework will be tested (three loans per country) and train the trainer workshops delivered (two in each country) with ESG enabled policies and best practice shared across all markets. Workshops will also be held with top management, along with broader skills training and awareness.

IMPLEMENTATION

Screening	Categorisation	Due diligence	Approval	Monitoring
Environmental and social conduct screening to determine whether or not to pursue an opportunity	Categorise the opportunity according to a comprehensive internal rating to inform the scope of due diligence	Conduct environmental and social due diligence and develop environmental and social action plans	Investment Committee to review due diligence results and action plans and approve the opportunity, if appropriate	Monitor environmental and social performance and allocation of capital, and generate maximum environmental and social outcomes

LOOKING AHEAD

- Conduct annual customers and employee surveys.
- Implement an environmental and social data management system in 2023.
- Design the final ESG framework, including updating the Group and country-specific ESG manuals, and complete employee training in 2023.
- Operationalise the ESG framework across business streams to mitigate risk and maximise customer experience and ROIs.
- Use survey insights to inform credit risk protocols, pricing options and product development.
- Leverage thought leadership to promote ESG and identify key industry memberships.
- Quarterly reporting on ESG performance to the Group Risk, Social and Ethics Committee.

2022 **strategic performance overview**

Product diversification

New product launches

Launched a number of new products, including our first non-banking lifestyle product for users of the LetsGo Digital Mall.

Deposits

5%

P1.12 billion

(2021: P1.18 billion).

Insurance revenue

21%

P243 million

(2021: P201 million).

Product diversification: Page 48

Digitalisation

Digitised transactions

74%

of customer transactions were digital in 2022.

TARGET:

at least 80% of customer applications via digital channels 2025.

DAS customers

64%

of DAS customers are active on the LetsGo Digital Mall.

Digital account

Launched the digital account in a further

two markets

(now available in four of our markets).

Automation of the lending portfolio

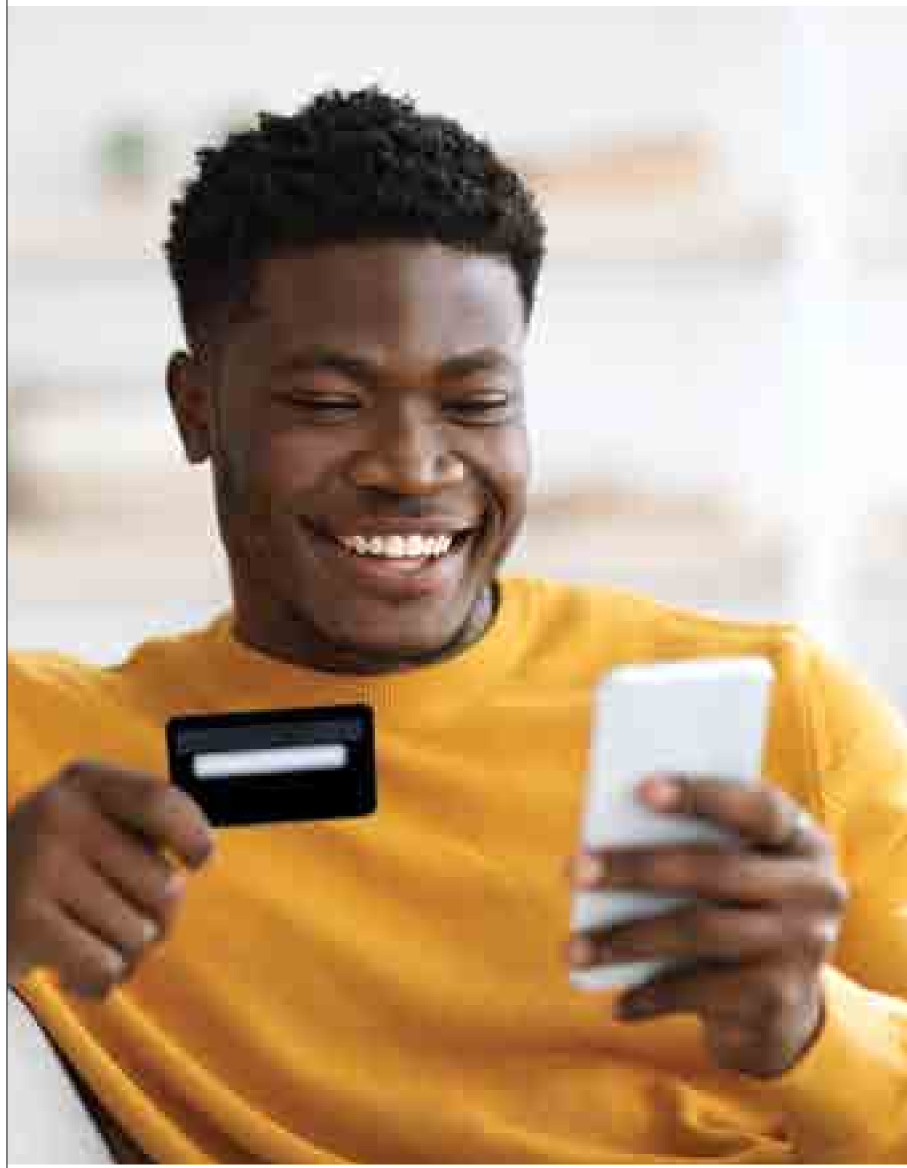
62%

of the lending value stream now automated.

Customer value proposition

Launched our refreshed LetsGo@Work DAS customer value proposition for employers.

Digitalisation: Page 48



Geographic rebalancing

East and West Africa

18%

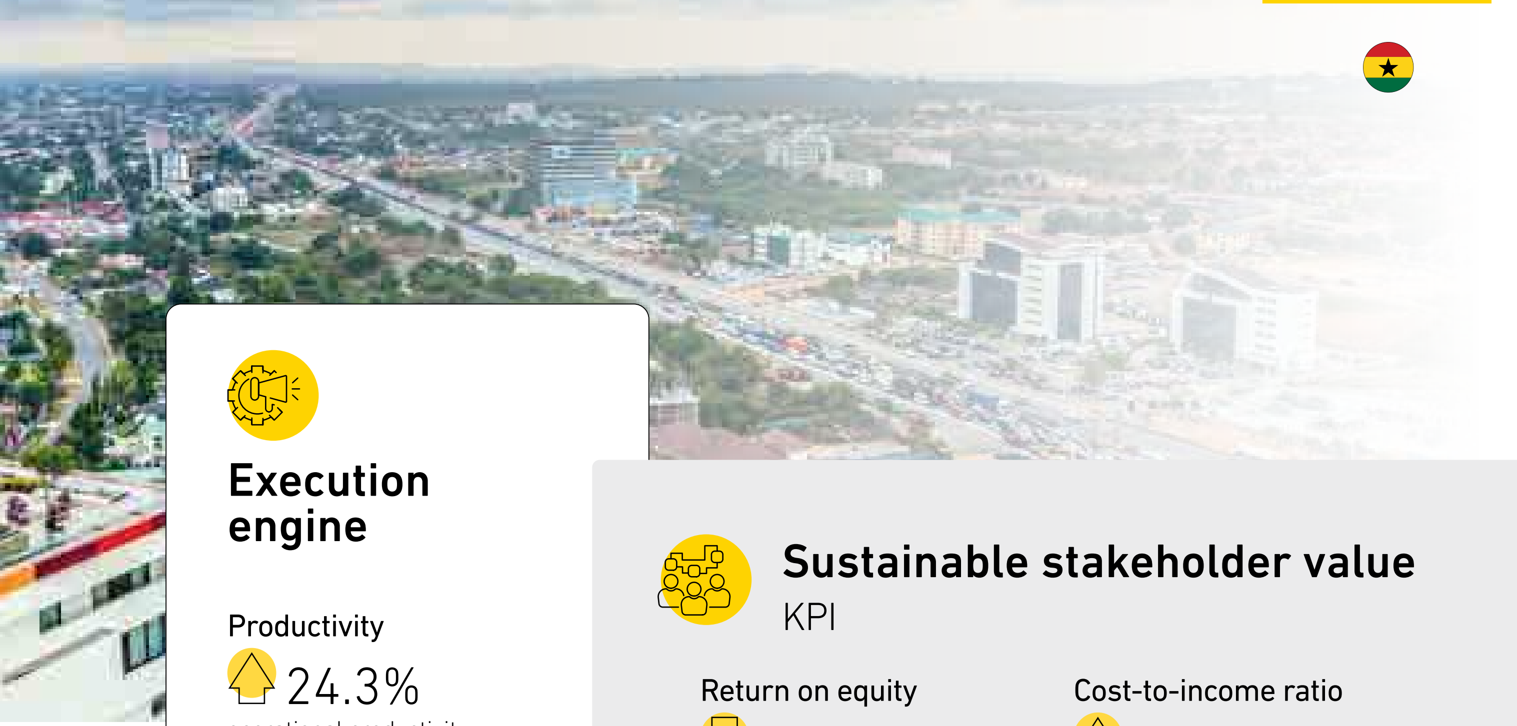
P146 million

of Group profit generated from the East and West African operations combined (2021: 28%).

The collective contribution of these two regions to Group profit was impacted by economic headwinds.

TARGET: 45% contribution to Group profit by 2025.

Geographic rebalancing: Page 62



Execution engine

Productivity

24.3%

operational productivity Group-wide since introducing our Agile Ways of Work model.

Digital skills

14

people participated in the first intake of our Digital Mastery Programme.

Agile teams

We established Lean Agile Centre of Excellence teams in each subsidiary to embed the Agile Ways of Work programme more deeply across the Group.

Execution engine: Page 64

Sustainable stakeholder value

KPI

Return on equity

8%

(2021: 14%).

TARGET:
>20% by 2025.

Return on assets

3%

(2021: 5%).

Capitalisation ratio

31%

(2021: 31%).

The Group remains well-capitalised with a strong liquidity position.

Earnings per share

41%

18.7 thebe

(2021: 31.5 thebe).

Sustainable stakeholder value: Page 66

Cost-to-income ratio

63%

due to net interest income pressure and inflationary cost increases

(2021: 52%).

TARGET:
~40% by 2025.

Profit before tax

30%

P801 million

(2021: P1.15 billion).

Debt-to-equity ratio

142%

in line with the Group's gearing ratio guidelines

(2021: 149%).

Final dividend

9.7 thebe

per share for the period ended 31 December 2022.

LIVING OUR PURPOSE

People and culture

Turnover rate

13%

turnover rate

(2021: 14%).

Learning and development

22 627

self-led learning hours completed, averaging 13 hours per employee

(2021: 45 423 hours).

Training spend by gender

41%

of training spend benefitted women

(2021: 47%)

Leadership training

104

leaders attended a leadership development programme

(2021: 136).

Employee engagement

60.3%

of the workforce is considered to be engaged (2021: 65.8%)

TARGET:
70% employee engagement.

Health and wellbeing

Introduced wellbeing initiatives to support our employees through the changes brought about by our strategic transformation.

People and culture report: Page 74

Social impact

Net Promoter Score®[1]

The overall Net Promoter Score (NPS) is + 17, considered a good score. Promoters of Letshego appreciate our efficient support and good customer service.

A more recent survey undertaken in the first quarter of the new financial year, indicates that our customer satisfaction score has increased 17% when compared to quarter one of 2022.

MSE business support

Launched various products to help MSEs, including products related to working capital and purchase order financing.

Solar Taxis

Launched green friendly financing in Ghana to support electric vehicle ride hailing platform, Solar Taxi's growth.

Affordable housing

Partner with the International Finance Corporation (IFC) to provide housing finance in Namibia.

Healthcare

>25 000

active Digital Wellbeing customers benefitted from access to online healthcare information.

Education

We rolled out an education loan portfolio in Botswana and launched a scholarship initiative in Mozambique.

#LetsGoNation

Leveraging the LetsGo Digital Mall to create a community that delivers positive social impact, creating opportunities for personal and community development.

Social impact review: Page 80

[1] The NPS is a gauge of customer satisfaction and loyalty. It is calculated as the percentage of customers who provide a rating of nine or 10 (promoters) less those providing a rating of zero to six (detractors). Ratings of seven and eight are not included.

REFLECTIONS FROM OUR

Group **Chairman**

LETSHEGO WILL REMAIN COMMITTED TO **CREATING MEANINGFUL AND SUSTAINABLE VALUE** FOR ALL STAKEHOLDERS.

"Letshego's commitment to maintaining strict governance standards provides stability and confidence in our business for long term gain. With the majority of our customers confirming they trust us with their money, find our loans affordable and manageable and can save for a rainy day and provide housing for their families thanks to our savings and housing options, we know we are achieving our purpose to make a difference in the lives of many Africans across our footprint."

Operating environment

With globalisation bringing emerging and developing markets closer together, Africa is experiencing a shorter lag time for economic repercussions emanating from Western markets. Although Africa's emerging economies are reducing their reliance on international economies, and becoming more independent in their development and inputs for local productivity, pan-African multinationals continue to conduct the bulk of their trade, finance and hedging in US Dollars and Euro. Positively, as Letshego's operations have limited international trade, the Group is achieving increasing currency diversity and greater foreign exchange efficiencies in sourcing more funding in local currencies.

In 2022, our regional markets saw a downward dip from the previous year's more positive economic growth trajectories, with tighter global financial conditions resulting in rising inflation rates across our operations. Ghana was hardest hit with an aggregated rise of over 40%. Rising food and energy prices were spurred by the Russia/Ukraine turmoil and exacerbated economic and social risk profiles for most Letshego subsidiaries.

East and West Africa experienced greater adversities in macroeconomic conditions than Southern African countries, underpinning an executive decision to increase focus and strategic support for East and West markets to facilitate a resurgence in profit potential. Despite these challenges, the Group's business fundamentals remain robust and the business remains stable. Larger profit generating markets that include Botswana, Namibia and Mozambique remain resilient and continue to generate a positive return on equity.

Strategic performance

Letshego's Transformation Strategy, guided by our '6-2-5' execution roadmap, is maintaining its momentum. With the conclusion of 'Plan 2' at the end of 2022, the two year investment phase in technology, automation and skills enablement is now set to initiate returns. Plan 5, the final phase of the Group's 6-2-5 execution strategy, commenced on 1 January 2023 and will focus on the realisation of returns from our recently executed investments.

Ethics, governance and leadership

The Board's primary responsibility is to safeguard our brand promise and ensure that the Group creates and preserves value for all stakeholders and future generations. With the support of the Group Board, Letshego continues to enhance and embed sound governance, ethics, business conduct principles and codes of best practice across our operations and functions. 2022 saw our Enterprise Risk Management Framework (ERMF) benefit from greater alignment following new developments in systems and products, but also the adoption of Environmental and Social Risk Management standards promoting ethics, transparency, accountability and sustainability, in line with introducing global ESG standards into our business.

Transitions in leadership

During the year, Letshego parted ways with its Group Chief Executive, and saw the resignation of our Group Chairman and two non-executive Group Board members. It is a pleasure to have Aupa Monyatsi take the helm as Group Chief Executive, bringing with him vast experience in financial innovation, operations and regional markets.

With the sanction of our shareholders, our 2022 annual general meeting also saw the expansion of our fiduciary expertise following the appointment of four new Group Board members, along with my appointment as Group Chairman. I wish to welcome Messer's Motshegwa, Mokgware, Ramesh and Professor Botlhale to the Group Board and look forward to an even richer collective contribution at our quarterly meetings.

Acknowledgement

I would like to thank my fellow Board members for their efforts and contribution during the year. The dedication and efforts of the Group's executive and country management teams continues to demonstrate their commitment despite facing challenging economic headwinds and market conditions. I remain inspired by the dedication and energy of our leadership teams, and proud to be a part of Letshego's exciting transformation journey to 2025.

On behalf of the Group, I wish to thank our people, customers, regulators, investors, public and private partners and other stakeholders who have been part of the Letshego journey during these unusual and challenging times as we continue to create meaningful and sustainable value and improve lives into the future.

Philip Odera
Group Chairman

Board of **directors**

NON-EXECUTIVE DIRECTORS

BOARD COMMITTEES
- *Group Audit Committee*
- *Group Risk, Social and Ethics Committee*
- *Group Governance and Nominations Committee*
- *Group Remuneration Committee*
- *Group Strategy and Investment Committee*
- *Chairman*

BOARD COMMITTEES

Philip Odera 64
Board Chairman and independent non-executive director

APPOINTED 2019, APPOINTED CHAIRMAN 2022

Qualifications
- **Bachelor of Economics:** St. Lawrence University, United States.
- **MBA in Finance:** Suffolk University, US.
- **Leadership programmes:** Duke, Harvard and Cambridge universities and London Business School.

Skills and experience
- Over 30 years' financial and banking experience.
- Current: advises talented organisations and entrepreneurs in his role as Executive Partner at Titans D'Afrique – a consortium of experienced leaders who volunteer their skills to empower and upskill Africa's emerging leaders and Chairman of the Board of Arise BC, an investment company focused on bringing prosperity to Africa by taking an equity investment in local commercial banks across Africa.
- 17 years with Stanbic in Africa in country leadership roles, including Deputy Managing Director for Tanzania, and Country Chief Executive Officer for four of Stanbic's regional markets (Kenya, Malawi, South Sudan and Uganda).
- Began his banking career as a graduate at Citibank Kenya, and progressed to Country Corporate Officer at Citibank Congo.

BOARD COMMITTEES

Gerrit Lodewyk Van Heerde 55
Non-executive director

APPOINTED 2014

Qualifications
- **Bachelor of Commerce (Hons):** University of Stellenbosch.

Skills and experience
- Fellow of the Institute and Faculty of Actuaries.
- Experience in life and short-term insurance, asset management and credit
- Current: a group Executive Committee member of Sanlam Emerging Markets (SEM) and represents SEM on various Boards, including Botswana Insurance Holdings Limited.
- Various positions held at Sanlam Group, including Chief Financial Officer (CFO) for SEM and oversight responsibility for Sanlam Home Loans and Angola African Finance.

BOARD COMMITTEES

Catherine Lesetedi 55
Non-executive director

APPOINTED 2017

Qualifications
- **Bachelor of Arts Statistics and Demography:** University of Botswana.
- **Management Development Programme in Advanced Insurance Practice:** University of Cape Town.
- **Diploma in Insurance:** UNISA.

Skills and experience
- Associate of the Insurance Institute of South Africa.
- Many years of insurance industry experience, and is skilled in negotiations, budgeting, analytics, coaching and entrepreneurship.
- Current: Group CEO of Botswana Insurance Holdings Limited (BIHL) and represents BIHL on a number of Boards, including Funeral Services Group Limited, BIFM Unit Trusts, Nico Life, Nico Pensions Company and Nico Holdings.
- 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.

BOARD COMMITTEES

Abiodun Odubola 63
Independent non-executive director

APPOINTED 2019

Qualifications
- **Bachelor of Science Agricultural Economics:** University of Ibadan, Nigeria and University of Lagos, Nigeria.
- **Master of Business Administration:** University of Lagos.
- **Numerous leadership courses:** with global institutions, including Euromoney, Moody's, Citibank and Columbia Business School, US.

Skills and experience
- 30 years' of commercial banking experience. Expertise includes relationship management, credit underwriting, credit risk management, country risk management and country audit.
- Current: board member of two non-banking financial institutions (in addition to Letshego).
- Held senior roles in blue chip financial institutions, including FirstBank Nigeria, Ecobank Nigeria, Metropolitan Bank Nigeria, Citibank Nigeria and Citibank NA, UK.
- Founded Camrose Nigeria Limited, a consulting firm that provides financial advisory services on risk, credit management, debt and equity raising.

Non-Executive Directors *continued*

BOARD COMMITTEES

Ronald Hoekman [59]

Independent non-executive director

APPOINTED 2020

Qualifications

- **Diploma:** Dutch Banking Institute (IBE).

Skills and experience

- Over 20 years' of international banking and finance experience, including in diverse global economies from sub-Saharan Africa and Equatorial Guinea to Uzbekistan, Czech Republic, Ukraine and Azerbaijan.
- Current: consults with leading institutions to bolster existing risk frameworks to meet evolving, international standards in effective risk management and reporting, and advises multi-geography microfinance institutions on how to enhance their credit and risk frameworks.
- Clients include public and private entities, including the IFC, World Bank and mobile network operators.

BOARD COMMITTEES

Rose Mwaura [51]

Independent non-executive director

APPOINTED 2021

Qualifications

- **Bachelor of Commerce Accounting (Hons):** University of Nairobi, Kenya.
- **Certified Executive Coach.**

Skills and experience

- Member of the Institute of Certified Public Accountants of Kenya.
- Over 25 years' experience in commercial and financial advisory services as well as audit, assurance and governance services. Also has experience in expansive leadership roles in governance and public policy, including in the US, Africa and India.
- International experience in fostering public sector partnerships to develop public policy and legislation.
- Current: an independent non-executive director of Kenya's Jubilee Life Insurance board, and Chairman of the Audit Committee. Also a member of the Kenya College of Accountancy University's Council, including as Chairman of the Audit, Risk and Compliance Committees and as Vice Chairman of the Kenya Private Sector Alliance Public Finance Sector Board.
- Certified executive coach to top professionals.

BOARD COMMITTEES

Professor Emmanuel Botlhale [54]

Independent non-executive director

APPOINTED 2022

Qualifications

- **PhD in Urban Studies and Public Affairs:** Cleveland State University, US.
- **Master of Public Administration (Public Finance):** New York State University, US.
- **Bachelor of Social Sciences (Economics and Public Administration):** University of Botswana.

Skills and experience

- A wealth of experience in local and African markets through his long service with the University of Botswana Defined Contribution Pension Fund.
- Current: Full Professor of Public Administration at the University of Botswana's Department of Political and Administrative Studies, focusing on public finance.
- Numerous publications, including articles in highly ranked peer-reviewed journals.
- Served as a trustee and Board Chairman of the University of Botswana Defined Contribution Pension Fund (UBDCPF), representing pension fund shareholders.
- Served as Committee Chairman of the Pension Fund Regulation 2 Committee.
- Often commissioned as an intellectual resource on panel discussion, formulation of regulation etc.

BOARD COMMITTEES

Christopher Mokgware [55]

Independent non-executive director

APPOINTED 2022

Qualifications

- **Chartered Certified Accountant.**
- **Master of Science Information Management:** University of Westminster.
- **Finance and Global Executive Development Programme:** Gordon Institute of Business Science.

Skills and experience

- Member of the Association of Chartered Certified Accountants, Botswana Institute Chartered Accountants, Certified Anti-Money Laundering Specialists and The Institute of Risk Management South Africa.
- Solid background in audit; financial, general, relationship, treasury and project management; governance; risk and compliance.
- Current: Senior Governance and Compliance Manager for De Beers, and non-executive Chairman of Minet Botswana, Chairman of ICL Botswana, board member of De Beers Holdings Botswana, and Company Secretary of De Beers Global Sightholder Sales.
- Served on the boards of Debswana Pension Fund (Chairman), Botswana Railways, Botswana Post, Peo Venture Capital, Citizen Empowerment Development Agency, and the Independent Complaints Review Committee (Chairman).

Non-Executive Directors *continued*

BOARD COMMITTEES

Ketlhalefile Motshegwa 39

Non-executive director

APPOINTED 2022

Qualifications

- **Bachelor of Arts Social Sciences:** University of Botswana.
- **Masters in Industrial and Employment Relations:** University of Turin, Italy.
- **Studying towards a Bachelor of Laws:** University of South Africa (UNISA).
- **Several local and global courses on governance, leadership, negotiations, enterprise risk management and anti-money laundering and countering the financing of terrorism.**

Skills and experience

- Current: Secretary General of Botswana Land Boards Local Authorities and Health Workers Union (since 2010) and Deputy Secretary General of the Botswana Federation of Public Sector Unions. Also a member of the Botswana Public Officers Pension Fund (BPOPF) Board of Trustees (since 2014) and member of various BPOPF sub-committees, including as Chairman of the Risk Committee and member of the Audit Committee and Human Resources Committee. Sits on the boards of various companies and non-profit organisations.
- Served in several labour institutions and as the Clerk of Council for the Francistown City Council.
- Authored academic papers and presents at conferences on human resources and industrial relations.

BOARD COMMITTEES

Jayaraman Ramesh 64

Independent non-executive director

APPOINTED 2022

Qualifications

- **Bachelor of Commerce:** University of Madras, India.
- **Senior Leadership Programme on Organisational Leadership:** Oxford University, UK.

Skills and experience

- Member of the Botswana Institute of Chartered Accountants.
- Current: co-founder and non-executive Chairman of the Botho Group, and non-executive director of BSE listed entities, including Sechaba Brewery Holdings Limited (Finance and Audit Committees) and Engen Botswana Limited (Chairman of Audit Committee). Also holds active leadership roles in social organisations that support the welfare of local communities.
- Was the first Chairman of the Government Audit Committee formed under the Public Finance Management Act of Botswana, reporting to the Minister of Finance and Economic Development.
- Held several leadership roles at Grant Thornton Botswana, including as non-executive Chairman, Managing Partner and Partner over a 36-year period. Elected member of Grant Thornton International's Board of Governors, representing Africa, the Middle East and Europe and the Grant Thornton International's regional head of Africa.
- Founder of the Grant Thornton Private Business Growth Award and a business leader in Grant Thornton's Oxford senior leadership programme.
- Founder of the Grant Thornton Toastmasters Club, and a member of Toastmasters International.

EXECUTIVE DIRECTORS

Aobakwe Aupa Monyatsi 44

Group Chief Executive Officer

APPOINTED 2022

Qualifications

- **Bachelor of Accounting:** University of Botswana.
- **Specialised executive development programmes:** Duke University, UK.

Skills and experience

- Association of Chartered Certified Accountants.
- Joined the Letshego Group as Group Chief Operating Officer in March 2020.
- Over 18 years' of leadership expertise gained from various senior roles in Africa's financial services sector.
- Led numerous teams within the Absa/Barclays Group, including the Managing Executive responsible for spearheading and developing the regional bank's digital innovation and virtual channel strategy. Has experience in fintech development in numerous countries, including Ghana, Nigeria, Senegal, Spain and the US.
- Held numerous leadership positions in Barclays Botswana, including Chief Operating Officer, Head of Distribution Channels, Acting Managing Director Botswana and group level responsibilities at Absa's head office in South Africa.
- Began his career in auditing with PWC Botswana.

Gwen Muteiwa 48

Group Chief Financial Officer

APPOINTED 2020

Qualifications

- **Bachelor of Commerce Accounting:** Rhodes University, South Africa.
- **Certificate of the Theory in Accounting and Honours in Accounting Science:** UNISA.
- **Management of Banks and Financial Institutes:** Galilee College in Israel.
- **Executive Leadership Development Programme:** Stellenbosch University, South Africa.
- **Master of Business Administration:** Steinbeis University, Germany.

Skills and experience

- Member of the Institute of Chartered Accountants Zimbabwe and the Botswana Institute of Chartered Accountants.
- Over 20 years' experience in banking and financial services.
- Group CFO at ABC Holdings Ltd (BancABC, part of Atlas Mara). Spent 12 years at ABC Holdings in roles including the CFO for Zimbabwe, incorporating retail and wholesale banking, asset management and micro-lending subsidiaries; and Group Head of Finance Transformation responsible for implementing a financial control framework, standardisation of financial control systems and processes across the group.
- Three years as Managing Director for a merchant bank in Zimbabwe, responsible for strategy implementation, customer acquisition and growth.

Full Board CVs: www.letshego.com/board-of-directors

Group Chief **Executive insights**

"In challenging operating environments, Letshego derives its resilience from our robust business fundamentals. We are maintaining a strong momentum in the execution of our Transformation Strategy as we enter the final phase of our 6-2-5 execution strategy, 'Plan 5'. This final phase serves to drive returns from our structured investment over the last two years, and integrate our eco-system methodology. Cementing a sustainable customer value proposition, leveraging our digital assets and continuing to diversify our product offering will support revenue growth, all while ensuring we optimise our cost base."

Operating context

2022 was not without its forecast economic headwinds. Globally, inflation worsened from mid-2022, driven by the ongoing Russia-Ukraine turmoil and supply chain constraints. Several African currencies declined against a strengthening US Dollar coupled with escalating global commodity prices. Public debt and debt servicing ratios were elevated despite fiscal consolidation measures across the countries.

The disposable income of our customer populations incurred further pressure as monetary policies tightening continued through the year, resulting in marked interest rate increases. Some of our markets experienced emerging fiscal liquidity challenges, which understandably has an impact on our public sector partnerships, sometimes delaying timely settlement of loan payment remittances from government payrolls.

Financial performance

Economic challenges and interest rate expense increases were evident in our full year 2022 results, with overall profit down year-on-year, weighted by downside performance in specific markets. Profit before tax declined by 30% to P801 million (2021: P1.15 billion). Profit after tax was down 36% year-on-year to P469 million (2021: P730 million). Performance across our markets was mixed, with some countries evidencing more resilience.

Total income increased 6% year-on-year, driven by growth in non-interest income, which increased by 43% (19% excluding foreign exchange gains). Additionally, strong growth of 21% in insurance income to P243 million (2021: P201 million) was mainly driven by customers accessing our expanding suite of LetsGo Insurance products as we continue to expand our LetsGo Digital Mall offering in services and products.

The impact of economic headwinds and subsequent central bank interventions saw upward pressure on interest expenses for the Group. Reference rates increased in the second half of the year, resulting in a 23% year-on-year increase in interest expense.

The Group is making progress in converting customers with more traditional mindsets to use our digital channels. The number of customer registrations on our LetsGo Digital Mall exceeded one million for the year, and 22% new and top-up loan applications were originated through one of our digital channels available on the Digital Mall, including WhatsApp, USSD or mobile application. Expanding customer choice by offering more solutions and products via the LetsGo Digital Mall remains a priority across all markets. We also enhanced our social impact portfolios with the launch of dynamic inclusive finance products including Affordable Housing, Small business Working Capital and Purchase Order financing and Education Solutions – all digitally accessible via the LetsGo Digital Mall.

Credit impairment charges were P98.7 million translating to a loan loss ratio of 0.5% against a net recovery of 0.1% in 2021. In 2022, the non-performing loans ratio increased to 6.5% (Dec 2021: 5.9%), driven mainly by extraneous factors which impacted our MSE portfolios, tightening macroeconomic conditions reducing overall DAS portfolio loan performance. This was partly offset by the credit default insurance in place in Mozambique and Namibia. The Group's loss coverage remains strong.

Strategic progress

2022 saw the conclusion of the second and investment-driven phase of our 6-2-5 execution roadmap, entitled 'Plan 2'. The two year period (2021 and 2022) was characterised by increased investment into products, technology and systems architecture, enabling our LetsGo Digital Mall to deliver expanded solutions.

We have been resolute in maintaining momentum and delivery of our Transformation Strategy since announcing this future-fit approach on 1 September 2020. The objectives of our Transformation Strategy are consistent – to create a future-fit organisation that leverages digitalisation and technology to empower our people and maintain a competitive edge in a rapidly evolving sector.

How we deliver our Transformation Strategy is laid out in our 6-2-5 execution roadmap and is guided by 5 pillars of focus or "5 Conversations": Product Diversification; Digitalisation; Geographic Rebalancing; Executiion Engine and Sustainable Stakeholder Returns. Our 6-2-5 execution roadmap sets out the Group's phased approach in the investment, adaption and implementation of digital and technical enhancements, systems automation and product launches to ultimately improve our delivery and the experiences that our customers have with Letshego, ultimately supporting growth and long-term stakeholder value.

To reflect on our progress, the Group delivered the pre-determined targets for Plan 6 within allocated timeframes (six month period – July to December 2020). Activities within this first phase comprised the digitisation of customer channels across all markets on a consistent and efficient basis. We set out to build resilience through the pandemic and beyond, our focus being to strengthen our core business and lay the foundation for inclusive product diversification and increased customer access across all platforms.

We have now reached the end of our Plan 2 (2021 and 2022), an investment phase that is critical to any operation that aims to remain relevant and competitive in a rapidly developing global financial sector. Our investment phase centred on selecting the technology and automation that unlocks our future potential. Technology that is adaptive to ongoing evolution, as well as an enabler for us to leverage and collaborate with like-minded partners.

This year sees the Group commence with the third and final phase of our strategic execution – Plan 5, which encompasses platform and ecosystem thinking with a focus on building a refreshed and comprehensive customer value proposition, that leverages our digital assets and continues to diversify our products to grow revenues and returns while optimising our cost base. Guiding our approach, and unifying our vision is our commitment to embedding our Environmental and Social Governance (ESG) framework, that meets our brand promise and purpose to improve lives, and deliver tangible social benefits to our customers and communities across the continent.

Outlook

From a macroeconomic perspective, short-term economic factors are expected to remain pressured across our footprint, with continued impact expected from global economic and political events. Internationally, we anticipate that the risk of recessions remains high for the coming year.

The Group will continue to monitor economic trends, mitigating downside risk through an enhanced ERMF (Enterprise Risk Management Framework) that includes thorough portfolio stress testing within multiple economic scenarios to maintain asset quality. We will continue to implement strategic measures in product structuring and affordability criteria to fine-tune eligible customer segments that show greater stability – while still delivering on our purpose to support under-banked populations, extending the reach of inclusive finance to achieve social and sustainable change.

Our #PeopleFirst commitment, launched within our Transformation Strategy in 2020, continues to centre on future-fit and digital skills upliftment in addition to leadership development to foster a culture of digital and global thinkers and doers. In 2023, 25 members of our risk team will be commencing their international qualification in Risk Management in partnership with international risk institute, PRMIA. Our people are increasingly focused, disciplined and passionate about delivering simple solutions that improve lives.

Our understanding of customers' needs, trends and behaviour is also improving with the development of our ESG Framework, leveraging the benefits of a data-centric operating environment. In 2022 we concluded our latest independent impact survey across all 11 markets with world-class research group, 60_Decibels. The survey included a financial impact module, and assists in deepening our understanding and insight into the behavioural needs and trends of our customers.

Acknowledgements

I would like to take this opportunity to thank the Board, the Executive team, our people, our customers, our partners and all our other stakeholders for their support during the year.

In looking back at 2022 an emotive highlight was meeting and getting to know our first Affordable Housing homeowner based in Swakopmund, Namibia. A single mother of two, she was elated to own her own home for the first time. Her pride in being able to provide a secure place for herself and her young children to live was palpable. Owning your own home is not a given for our continent – it is sadly still a rarity in many areas and communities where we live and work. Letshego is committed to doing all we can to extend solutions like our Affordable Housing product to bring dignity, a sense of pride and personal achievement that genuinely does improve the lives of others.

I am proud to be part of an organisation that centres its commercial strategy around improving the lives of others across Africa.

Thank you to all our stakeholders, our people, customers, investors, funders, public and private sector partners for supporting Letshego as we continue in our transformative journey.

Mr Aupa Monyatsi
Group Chief Executive

Executive **committee**

Full Executive Committee CVs: https://www.letshego.com/executive-committee.

Aobakwe Aupa Monyatsi
Group Chief Executive Officer

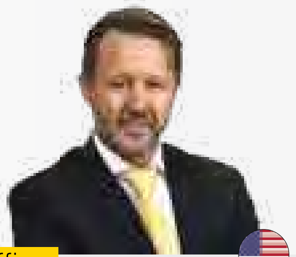
Responsibilities
- Chairman of the Group Executive Committee.
- Group strategy development and execution.
- Governance.
- Risk management.
- Delivery of shareholder value.
- Stakeholder engagement.

Gwen Muteiwa
Group Chief Financial Officer

Responsibilities
- Balance sheet management.
- Strategy support and evaluation.
- Treasury and capital management.
- Tax management.
- Financial management and controls.
- Investor relations.

Richard Ochieng
Group Chief Risk Officer

Responsibilities
- Enterprise risk management.
- Credit risk.
- Business and market risk.
- Operational risk.
- Fraud risk.



Chris Hughes
Group Chief Operations Officer

Responsibilities
- Organisational transformation.
- Operational excellence.
- Digital transformation.
- Data strategy.
- Embedding Agile enterprise methodology.
- Finance operations.

Tuduetso Alice Ntwaetsile
Group Chief Internal Auditor

Responsibilities
- Financial and business assurance.
- IT and projects assurance.
- Combined assurance.
- Special audits.

Chipiliro Katundu
Group Chief Product Officer

Responsibilities
- Solution development and customer experience.
- The five value streams.
- MSE and programmatic lending.
- Financial inclusion.
- Product distribution.
- Marketing.

Fergus Ferguson
Regional Executive, East and West Markets

Responsibilities
- Regional oversight of East and West Markets
- Regional country strategy and alignment.
- Regional governance.
- Regional financial performance.

Kgotso Bannalotlhe
Country Chief Executive Officer: Botswana and Regional Chief Executive: Eswatini and Lesotho

Responsibilities
- Regional country strategy and alignment.
- Regional governance.
- Regional financial performance.
- Employee engagement.

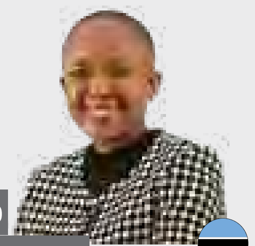
Kamogelo Chiusiwa
Group Chief People and Culture Officer

Responsibilities
- People and culture.
- People transformation.
- Organisational effectiveness.
- Talent sourcing and international mobility.
- Employee relations.
- Employee wellness.
- Learning and development.
- People risk.

Frederick Mmelesi
Group Chief Corporate Development Officer

Responsibilities
- Regional strategic partnerships.
- Mergers and acquisitions.
- Strategic projects.
- Government and strategic relationships.

Group Company **Secretariat**



Gorata T. Dibotelo
Head of Group Legal, Governance and Company Secretary

Responsibilities
- Legal risk.
- Governance framework.
- Board and committee management.
- Listing regulations and compliance.

PART 5

OUR PERFORMANCE

Product diversification

OVERVIEW

Over the past two years, we have introduced lower-risk products to complement our lending portfolio. New products include payments capabilities such as wallets, a remittance offering as well as additional savings products and new insurance solutions. This year, we provided our customers registered on the LetsGo Digital Mall with our first value-adding lifestyle solution. Going forward, the lifestyle value stream will provide our customers with access to information and tools that support their everyday needs.

Our core offering is DAS loans to employed people, mostly government employees, where loan repayments are deducted before salaries are paid, making these loans fairly low risk. Our Transformation Strategy, particularly our digital implementations, data analytics and Agile Ways of Work programme, have provided improved and customised credit scoring models, enabling us to broaden our lending beyond DAS loans. We therefore also offer loans for individuals on our mobile lending platforms and customised loans for MSEs.

Within our MSE portfolio, we have programmatic lending, which leverages technology and strategic partnerships with development finance institutions (DFI) to provide loans that achieve meaningful and sustainable positive impact for our customers and society, and in some instances the natural environment. These loans have been developed following extensive market research and allow MSEs to access affordable housing, healthcare and education finance, or fund the capital needs of their small agriculture businesses. To date, the portfolio includes affordable housing loans in Namibia and an education loan portfolio in Botswana. In Ghana, our offering includes two green lending solutions that support environmental improvement.

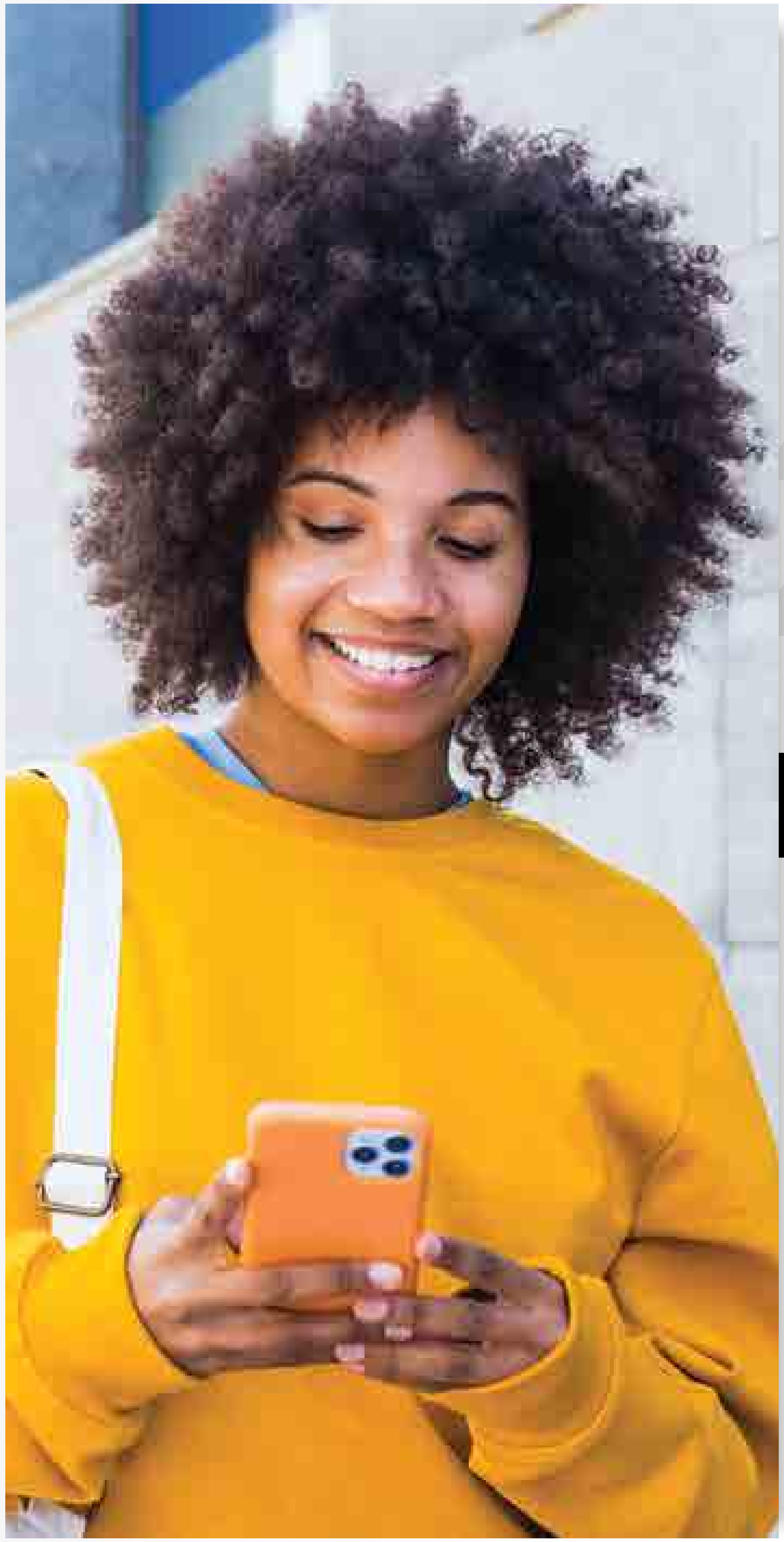
Our programmatic lending performance for the year is discussed in more detail in the social impact review, starting on page 80.

Our programmatic approach is flexible. Our offerings and their associated strategic partners, methodologies and implementation differ from market to market, depending on need and context. Stakeholder engagement and an understanding of each market are key aspects that will drive the success of this portfolio.

Beyond lending, a priority for the Group is to mobilise deposits to lower the cost of our funding. Similarly, we aim to increase our transactional capabilities, to bring the LetsGoPay Digital Account to customers (introduced at the end of 2021). Digital accounts support improved access and safer transacting for our customers, and increased efficiencies for both our customers and the Group. Using this tool our customers are able to easily make payments, send and receive money, and save and borrow, at their convenience. The digital account therefore supports our deposit-taking objectives and makes loan repayments easier for customers, in turn, positively impacting the quality of our lending portfolios.

In addition to the credit insurance embedded in the repayment terms of most of our loans, we now also offer standalone insurance products as part of our digital offering, providing instant access to insurance, fast claims resolution, simplicity and transparency, and affordable premiums.

Our five value streams: page 10



2022 PERFORMANCE

LetsGo borrow

Lending

- On the back of our digital progress, we launched Instant Loans for individuals in two markets. Applications for these small loans are submitted using the LetsGo Digital Mall and are delivered to customers faster and more efficiently than our prior loan application process.

See page 57: Digital Mall.

- For the Group, Instant Loans provide insight on what customers are using their loans for and where we can potentially develop better solutions to meet these needs.
- We launched products for MSE working capital and purchase order financing, and added three programmatic lending solutions to the LetsGo Digital Mall.

See page 80: Social impact review.

- 22% of our lending customers applied for their loans on the LetsGo Digital Mall.

See page 68: Asset quality.

LetsGo borrow

DAS portfolio performance

DAS loans remain at the core of our business, comprising 88% of the Group's overall lending portfolio (2021: 86%). DAS loans are available on all our customer platforms; however, customers (whether existing or new customers) are able to access a wider range of DAS loan options on the LetsGo Digital Mall. DAS customers who use the mall are able to track their loans and update their account information via their mobile phones. DAS loans originated through the platform totalled P1.3 billion (2021: P49 million). The uptake of DAS loans continued to increase during the year facilitated by our digital channels, which have enabled us to maintain our track record for approving loans quickly despite the increase in loan applications. Botswana, Eswatini, Lesotho and Uganda showed the highest growth in DAS customer transition to digital channels.

Successfully using data to drive sales growth, Namibia now has the largest DAS lending book portfolio in the Group valued at P3.6 billion – a 13% increase; and Botswana grew net book by 12% to P3.2 billion. Fiscal liquidity challenges impacted third-party payments, including the timely loan remittances from some government payrolls, reducing the portfolio's overall loan performance.

DAS net loan book values

8%

P11.3 billion

(2021: P10.5 billion).

DAS profit before tax

9%

P1.13 billion

driven by regional inflation and macroeconomic conditions

(2021: P1.24 billion).

Digital channels

73%

of DAS customers are now active across various digital channels

(2021: 78%).

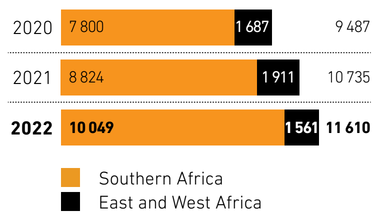
Digital DAS portfolio

P1.25 million

– the value of the DAS portfolio on the LetsGo Digital Mall

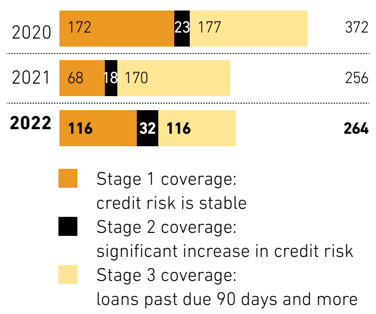
Gross advances to DAS customers

(P million)



DAS expected credit losses

(P million)



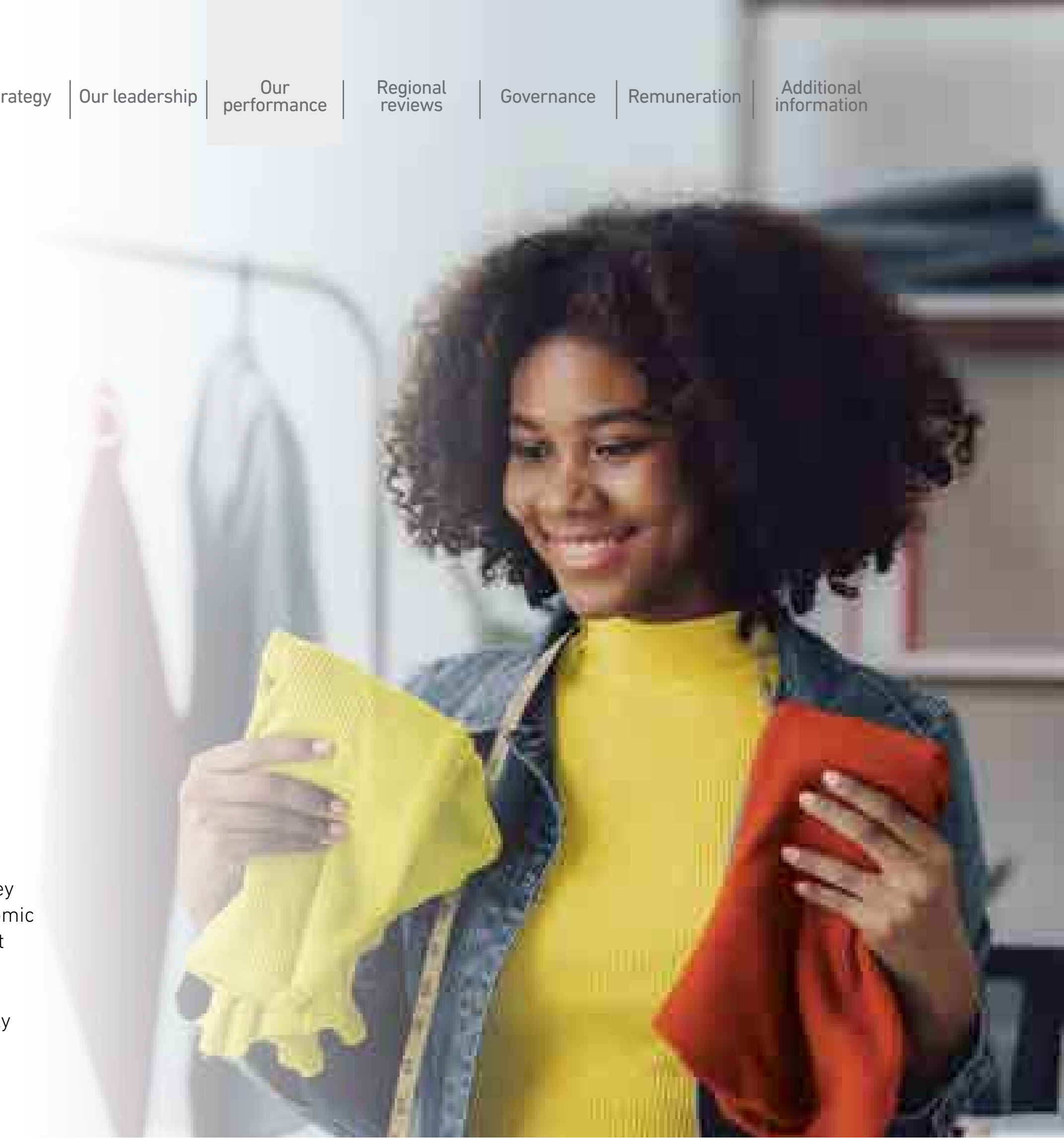
DAS Stage 3 coverage ratio[1]

44%

(2021: 66%).

Given that loan repayments often come straight from employers as part of the payroll process, we are comfortable with the Stage 3 coverage for DAS loans.

[1] *A 100% score for Stage 3 loan coverage indicates that all the most likely bad debts are covered.*



MSE and programmatic lending portfolio performance

Given the nature and size of MSEs, they are more vulnerable in times of economic crises, making this customer segment higher risk. Strategic partnerships continue to play an important role in extending socially and environmentally sustainable commercial products to MSEs. MSE lending comprises 9% of the Group's overall lending portfolio (2021: 8%).

MSE and programmatic net loan book values

13%

P974 million

(2021: P859 million).

MSE and programmatic profit before tax

14%

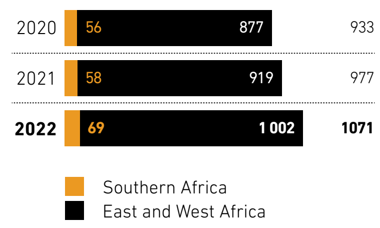
P19 million

driven by a deterioration in East and West African portfolio performance, regional inflation and currency devaluations

(2021: P22 million).

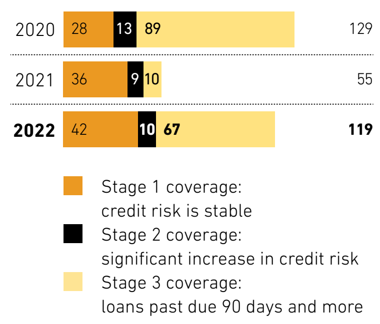
Gross advances to MSEs

(P million)



MSE expected credit losses

(P million)



MSE Stage 3 coverage ratio[1]

56%

(2021: 69%).

Stage 3 coverage remains strong for the MSE portfolio.

[1] *A 100% score for Stage 3 loan coverage indicates that all the most likely bad debts are covered.*

LetsGo borrow

Mass mobile portfolio performance

In addition to offering loans on easy-to-access mobile platforms, we also partner with mobile wallet service providers to provide their clients with micro-loans. The mass mobile portfolio makes up 3% of our total loan portfolio (2021: 6%). While viewed as a risker segment, portfolio impairments continue showing improvement following the enhanced credit management and automation processes implemented over the past two years. In 2022, we built online credit scoring capabilities for this customer segment and introduced mass mobile loans on the LetsGo Digital Mall in Botswana and Uganda. Eswatini more than doubled its customer base to 330 000 (2021: 130 000), improving revenue to P25.9 million (2021 P4.5 million). We expect improved cost efficiency and profits in this portfolio in the medium to longer term driven by scaling partnerships, automated credit scoring and digital Know Your Customer processes.

Mass mobile net loan book value

26%

P421 million

impacted by the introduction of a levy on mobile money transfers in Ghana – the Group's largest micro-lending portfolio

(2021: P568 million).

Mass mobile net interest income

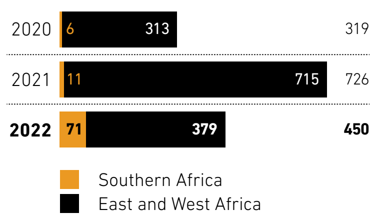
32%

P36.4 million

(2021: P53.5 million).

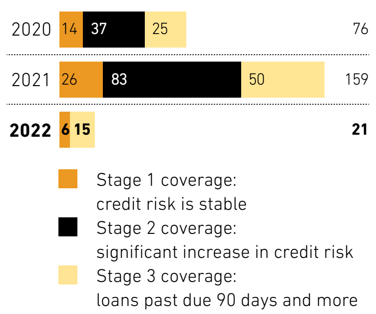
Gross advances to mass mobile customers

(P million)



Mass mobile expected credit losses

(P million)



Mass mobile Stage 3 coverage ratio[1]

70%

(2021: 31%).

Stage 3 coverage for the mobile mass loan portfolio is adequate.

[1] *A 100% score for Stage 3 loan coverage indicates that all the most likely bad debts are covered.*

LetsGo save

Saving

- Launched the digital Flexi-Save Account in Ghana and Namibia. Over 2 500 Flexi-Save Accounts were opened in Namibia in the first six months of product launch.
- Initiatives to mobilise small retail deposits resulted in the retail customer base increasing 24%.
- Deliberate reduction of corporate deposits in line with balance sheet management strategy.

Number of customers

24%

894 541

(2021: 722 921).

Total deposits

5%

P1.12 billion

(2021: P1.18 billion).

Retail deposits

27%

P565 million

(2021: P445 million).

Corporate deposits

24%

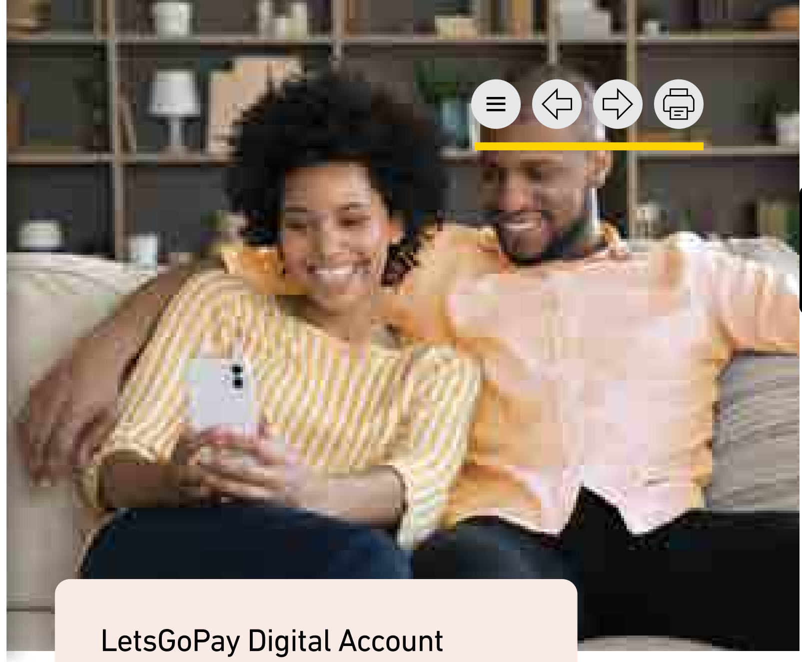
P556 million

(2021: P730 million).

Detailed Group performance: Page 32.

Payments

- Concluded the pilot of the LetsGoPay Digital Account and rolled out the solution to a further two markets.
- Launched a card offering in Mozambique. Debit card customers increased in Namibia, Nigeria and Tanzania, with Namibia doubling card transaction volumes to over 490 000.



LetsGoPay Digital Account

Customers across four of our markets (Ghana, Namibia, Nigeria and Rwanda) enjoy the benefits of the LetsGoPay Digital Account.

Card

31%
110 634
card customers
(2021: 84 526).

100%
496 036
card transactions
(2021: 248 057).

USSD

18%
171 423
USSD transactions as more customers start to use digital bill and airtime payment solutions, particularly in Mozambique, Namibia and Tanzania
(2021: 145 314).

P128 million
total transaction value
(2021: P109 million).

126 949
USSD customers
(2021: 119 930).

Insurance

- Launched six short-term digital insurance products in partnership with Sanlam.
- Long and short-term digital insurance products are now available in seven markets and are showing strong growth potential.
- Mozambique and Namibia were the primary contributors to insurance revenue with 96% and 10% year-on-year income growth, respectively. In Botswana, we expanded our insurance offering, achieving good traction.
- In Nigeria and Namibia, we are developing innovative solutions that allow customers to purchase, manage and access insurance on the LetsGo Digital Mall.
- Kenya and Tanzania are strengthening their partnerships with corporates and employers to extend the reach of their insurance products through the LetsGo@Work customer proposition.

Insurance revenue

21%
P243 million
(2021: P201 million).

Lifestyle

- Launched our first lifestyle solution – Digital Wellbeing – in nine markets. The East African markets make up 61% of total active users.

2023 LOOKING AHEAD

- Building value streams that deliver unique value propositions

Lending

- Launch mobile mass loans on the LetsGo Digital Mall in Kenya, Lesotho, Nigeria and Tanzania.
- Continue to leverage lending as a core capability to diversify our product offering.
- Expand our Instant Loan services to all our markets by scaling our strategic partnerships.

Savings

- Continue to offer relevant, flexible savings solutions to help customers.
- Expand our digital savings offerings by implementing flexible and fixed term digital savings accounts.

Payments

- Add functionality, including capability to make municipal payments, purchase airtime and access local suppliers.
- Introduce new payment channels to increase our customer base using digital payments.

Insurance

- Continue to extend our insurance offering in relevant markets.
- Launch digital micro health insurance in all our markets.
- Automate and digitise the claims process.

Lifestyle

- Expand our wellness offering with more content and additional services.
- Launch tele-medicine solutions in all our markets.

Medium term (next two to three years)

- Scale up our remittance capabilities to take advantage of the growing opportunity that inter-regional payments presents for the Group.
- Continue to diversify our product offering and extend our reach to capture new market leading positions.

Digitalisation

OVERVIEW

Our Transformation Strategy is designed to bring Letshego in line with the technological advances that are changing the financial services sector worldwide and the way in which financial solutions are being made available to customers. A key enabler of our transition to a digital-first organisation is the LetsGo Digital Mall, launched in 10 markets[1] in 2021.

The mall has enabled the Group to capture opportunities beyond our traditional financial solutions, providing our customers with access to a larger suite of products and enabling better engagement with them. In addition to supporting our product diversification, it also expands our reach so that we can meet our mandate to be an inclusive financial services provider that serves the emerging customer base. In essence, the platform supports our growth ambitions in an efficient and cost-effective way. We have set ourselves a goal to have at least 80% of our customer applications via digital channels by 2025. We currently have 74% of our customer transactions digitised.

To become truly digital-first, it is essential that we alter our operations and incorporate digital technology in every aspect of our enterprise - from how our customers access and interact with our products, how we manage information and workflows, and even our back-end operations and systems. Automating our workflows and leveraging advanced processing such as machine learning and artificial intelligence (AI) will allow us to better manage data across the Group. With this data, we can improve customer experience and individualise our engagement with each customer.

A key advantage in our digitalisation is our core banking technology and basic set of data, which are consistent across all our markets. As such, our systems are easily able to integrate with those of our strategic partners, speeding up the time to launch new platforms and products to market. As we evolve, a number of opportunities have presented themselves, such as an increasing number of fintechs and other businesses wanting to partner with us and enhanced trust in Letshego among our customers.

A successful transition cannot be achieved without a culture of innovation and high performance and a leadership team that is able to inspire our employees and support them through change.

Our initiatives in this regard are discussed in the execution engine section on page 64 and the people and culture report on page 74.

We are also cognisant of the need to take our customers along with us on our digital journey. Within our branches we are providing digital education to our customers, showing them how online applications are easy, safe and convenient and helping them transition to this new way of banking.

[1] *Rwanda is excluded.*

LetsGo Digital Mall

The LetsGo Digital Mall provides our customers with secure, convenient and easy access to our products and services across multiple digital channels, including website, USSD, mobile phone and WhatsApp. The application is easy to download, registration is free and our digital forms are concise and user friendly. Simple, affordable and inclusive digital products from across all five of our value streams are available on the mall.

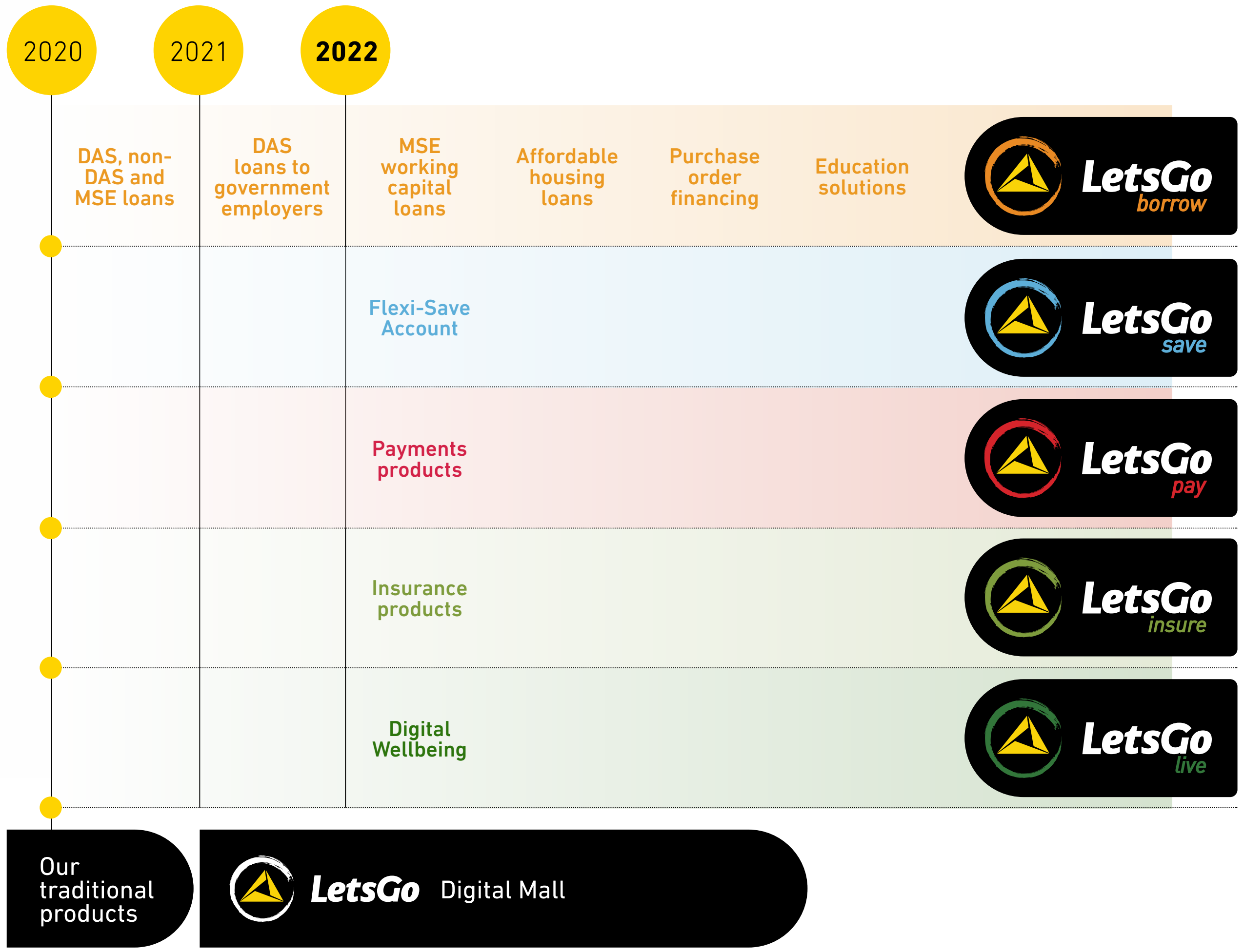
The mall will be rolled out in phases as we build its capabilities, increase accessibility and introduce more products. The platform's robotic process automation uses 'bots' to support end-to-end processing and system integration across geographies and divisions, ensuring that transactions facilitated through the platform are seamless. The platform's underlying architecture uses an application programming interface (API), allowing components and services connected to the API to remain independent but still use the API to communicate and share information, allowing for quick, accurate and secure transactions in a one-stop-shop. In addition to supporting our core financial transactions, the architecture supports services enabled through our strategic partnerships such as our new digital healthcare solution – Digital Wellbeing – launched this year together with BrandMed.

LETSGO DIGITAL MALL

Our Digital Mall will be a key enabler of the next phase of our strategy – to create the #LetsGoNation, where the mall provides a marketplace for our MSEs to trade, acquire and sell products. Through the platform, we aim to create a connected community, matching the right suppliers with the right demand in a secure environment. The mall will also serve as a platform to bring Africans together to support the continent's future development.

#LetsGoNation: Page 88.

Product launch

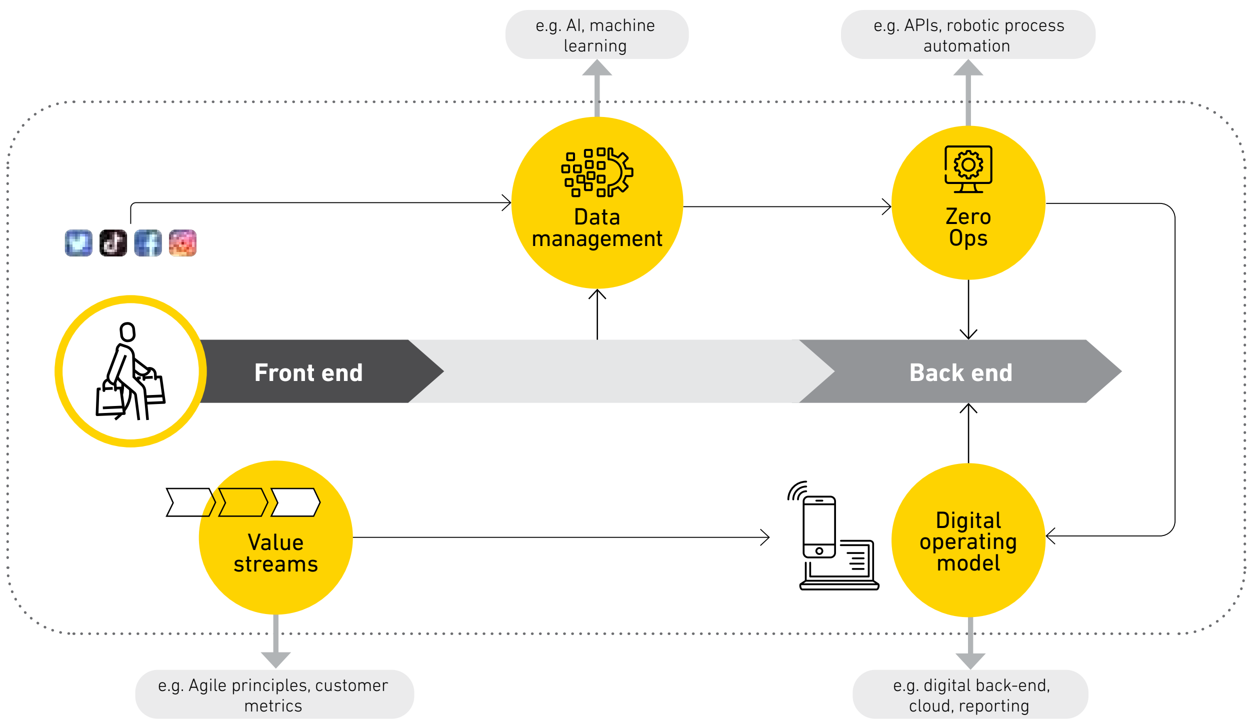


Target Operating Model

Our Target Operating Model (TOM) is the blueprint to optimise our systems for the current environment and to prepare for a digital future as a pan-African 'retail tech' brand. While we currently use various forms of robotic process automation to take over repetitive and manual tasks, this is a mid-phase solution as we transition towards achieving end-to-end automation, or what we call a 'Zero Ops' platform. Leveraging the TOM we are tackling inefficiencies, finding applicable solutions from other industries, automating and digitising activities and data, reorganising people and bolstering capabilities to streamline and accelerate processes. Using this model, most of our solutions are developed in-house based on research and aim to deliver a specific customer experience. Our objective is to operate a fully digital, automated back-end that supports processing at scale without increasing the cost base.

Serving our customers quickly is a critical competitive advantage for the Group. Our Instant Loan is a good example of our ability to leverage our data and digital capabilities to support this advantage. With a few clicks, registered customers can apply for a loan, upload the necessary documents and have money disbursed into their accounts in record time. If a customer already has documentation on file, cash is disbursed within 10 minutes with the average loan approval time being around seven minutes; achieved using predictive analytics to determine the customer's credit risk profile within seconds.

Delivering a seamless and exceptional customer experience



Our various customer platforms are supported by applications, ecosystems, and front- and back-end functionality to provide a seamless experience from onboarding to approval and product provision and management.

Cybersecurity

As we digitise the threat of cyberattack needs to be carefully managed and mitigated. We invest in strengthening our cybersecurity, data stewardship and IT governance, and partner with leading organisations that provide robust security services and risk capabilities using sophisticated tools to monitor, track and protect our assets. For example, we have implemented an AI-based solution linked to a global security operations centre and an AI network traffic monitoring solution, among others. We ensure that all new implementations are pre-built with cybersecurity controls. Automated anti-money laundering systems are in place as are data integrity, privacy and security controls to protect the information we collect from our customers.

2022 PERFORMANCE

LetsGo Digital Mall

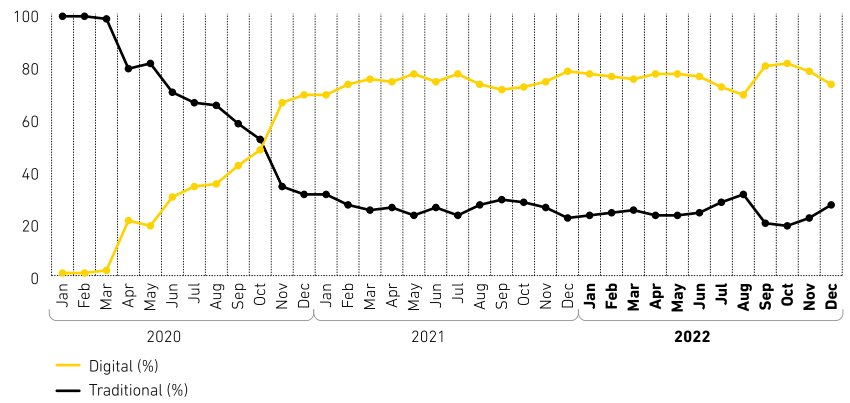
LetsGo Digital Mall

- We launched a campaign to drive existing and attract new customers to the LetsGo Digital Mall and increase their engagement on the mall.
- Existing and new products were added to the platform, including affordable housing products in Namibia, new personal lending products, the Digital Wellbeing solution and a number of insurance products.

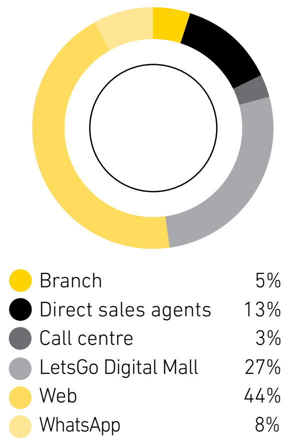
Product diversification: page 48.

- We launched our refreshed DAS customer proposition (LetsGo@Work) for government and private customers in November 2022. LetsGo@Work is a methodical approach that uses the mall to strengthen our core offering and broaden it to include other financial products and services.
- 73% of our lending customers used at least one form of the Group's digital channels.

Adoption trends



Channel contribution to loan sales



Registered customers
1 045 869
against a target of 1 000 000 by 2023.
(2021: over 93 000).

Digital adoption rate for the year
73%
(2021: 78%).

New customers
6 160
new customers register on the LetsGo Digital Mall a month.

LetsGo Digital Mall revenue
P206 million
in revenue generated through the mall.

LetsGo Digital Mall

Target Operating Model

Good progress was made in migrating towards the new TOM. The application processes for affordable housing and purchase order financing are now fully digitised. Overall, improvements made during the year have resulted in fewer errors and rework in the processing of loans, and we expect the changes to yield up to 20% in operational cost reductions for 2023.

Straight through processing

53%

automation supporting straight through processing.

(2021: 36.7%).

Savings from automation

>115 000

manhours saved to date due to the automation of manual back-end processes.

Internal innovation

74%

of the robotic processing automation solutions delivered in 2022 were developed internally.

Automation of the lending portfolio

62%

of the lending value stream automated.

Turnaround time

>18%

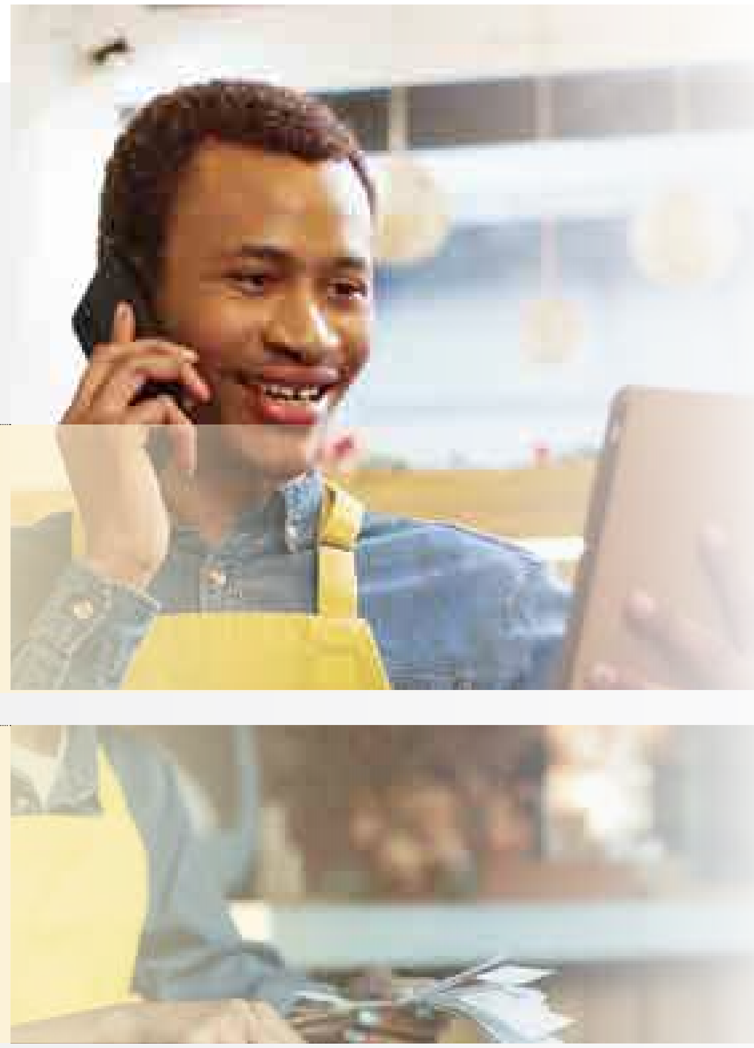
reduction in individual loan approval turnaround time achieved to date across all markets.

Cybersecurity

To better manage the growing complexity of a digital environment and access the necessary skill set required to manage the related cybersecurity needs, the Group outsourced a number of the related functions to better leverage best-in-class industry services that enhance our overall security posture, with an emphasis on embedding fundamental security controls in our preventative strategy to enhance our defensive measures against potential security threats and incidents, thereby promoting a safer and more secure operational environment.

During the year, we also experienced some challenges with compromised third parties, which unfortunately led to service outages. Our cyber security teams played a vital role in responding to this incident, enabling us to address the issue promptly and take the necessary steps to prevent further exposure. Subsequently, we have updated our comprehensive third-party risk assessments in relation to cyber risk. Letshego remains committed to ensuring the integrity and security of our services.

2023 LOOKING AHEAD



LetsGo Digital Mall

- Continue to expand the products available on the LetsGo Digital Mall in all markets of operation.
- Broaden user access leveraging our refreshed LetsGo@Work customer value proposition.

Target Operating Model

- Refine our digital back-end and straight through processing capabilities to efficiently scale our operations across key products in all markets.
- Leverage data analytics to improve the customer experience, enhance customer service and strengthen strategic decision-making across the business.

Cybersecurity

- Continue to strategically align security measures to support the transition to a cloud-first, digital group, including ensuring that our security protocols are in step with the business evolution and growth.
- Continue to amplify cyber monitoring capabilities to provide comprehensive visibility of potential attacks and threats in the ecosystem to promptly identify and mitigate risks to preserve the security and integrity of our digital operations.

Zero Ops

- Continue to leverage operations that automate over 80% of our manual processes, workflows and repetitive tasks to create a more productive and meaningful environment for our people and an exceptional experience for our customers.

Medium term (next two to three years)

- Deliver a Zero Ops platform.

Geographic **rebalancing**

OVERVIEW

A key objective for the Group is to provide strategic support to our smaller to medium-sized subsidiaries located in East and West Africa, helping them to seize local growth opportunities and grow their collective contribution to Group profits over the medium to long term.

Our Southern African operations – Botswana, Eswatini, Lesotho, Namibia and Mozambique – are our traditional markets, which deliver stable results and in 2022 contributed 82% to Group profits. While maintaining the performance of these markets, we are aiming to increase the collective contribution of our East and West African operations to Group profits to around 45% by 2025.

As part of our stabilisation and recovery work in 2023, we have classified our subsidiaries into 'Fit for Growth Markets' – Botswana, Eswatini, Lesotho, Mozambique, Namibia and Uganda – and 'Turnaround Markets' – Ghana, Kenya, Nigeria, Rwanda and Tanzania to allow us to prioritise executive effort and focus. The Fit for Growth Markets have shown resilience but require increased returns to meet the Group's five-year vision. Some of our Turnaround Markets also showed a level of resilience and growth.

2022

PERFORMANCE

Collective contribution

- Of our regional footprint, our East and West African markets suffered the most adverse macroeconomic conditions in 2022, with inflation and reference rates being more pronounced in these markets. As a result, their collective contribution to Group profits decreased compared to the same period in 2021.
- Actions taken to support our East and West Africa Markets include:
  - The appointment of Mr Fergus Ferguson as the Regional CEO for the East and West Africa portfolio supported by a team of regional specialists.
  - Adjusted business models for each market to accelerate momentum in proven product streams.
  - Increased support from Group which has already generated green shoots. For example, Nigeria's revised distribution model is showing upward potential albeit off a low base.
  - More closely defined performance indicators with clear timelines and a tighter mandate to achieve real growth.

Country performance

- Botswana, Mozambique and Namibia (our core markets) remained resilient and achieved ROE of 21%, 11% and 13%, respectively.
- Ghana suffered setbacks in sustaining its business momentum impacted by record inflation, currency depreciation, rising interest rates and the government's Domestic Debt Exchange Programme which adversely affected the country's funding, cost base and bond valuations.
- We are optimistic about turning this operation around in 2023, having adjusted our product offering. Liquidity is available in the market and we believe that we will be able to raise local funding to reduce cost of funds while lowering hedging costs.
- We are repositioning our Kenya business to grow a predominantly DAS and Instant Loan book, leveraging the LetsGo Digital Mall. We will reset the MSE business to pave way for a refreshed business model.
- Nigeria, under new leadership, reported a profit before tax of P23.5 million from a loss position in 2021. We launched LetsGoPay in Nigeria, an important step to enabling online outward and inward transfers, providing a solution to the country's current cash challenges and the central bank's cashless economy policy.
- Rwanda moved from a breakeven position over the last two years to record a profit before tax of P1.8 million.
- Tanzania Faidika recorded a 44% increase in profit before tax to P53.6 million.

Collective contribution

18%

the collective contribution from our East and West African operations to Group profits, equating to

P146 million

(2021: 28%; P320 million).

The P100 million club

Our 'club' of markets that made over P100 million in profit before tax in 2022 were Botswana, Namibia and Mozambique.

Southern Africa Markets

5%

growth in profit before tax, 9% growth in profit after tax, 8% increase in interest income and 2% increase in net interest income compared to 2021.

2023

LOOKING AHEAD

- A new Country CEO for Botswana, and Regional CEO for Eswatini and Lesotho joined the Group on 1 April 2023.
- A new Country CEO for Ghana was appointed 15 May 2023.
- Launch online account opening and bill payments in Nigeria to deliver a fully digital customer experience for this market.
- Leverage the success factors and strategic assets from both subsidiaries in Tanzania and amalgamate these businesses to achieve greater business and operational efficiencies, and a strengthened capital base to promote future business growth and sustainable business returns. Conditional approval has been received from the Bank of Tanzania subject to final submissions and conclusion of the merger.

Medium term (next two to three years)

- Review East and West Africa performance in line with performance targets set for 2025.

Execution **engine**

OVERVIEW

To ensure we remain relevant and resilient in tomorrow's fast moving and unpredictable world, we have adopted the Scaled Agile Framework (SAFe) methodology, which is improving how we work, supporting our digital transformation and enabling the Group to quickly respond to market changes and emerging opportunities with innovative digitally enabled business solutions. To date, our Agile Ways of Work programme, together with our digital transformation, has contributed to increased customer satisfaction, faster delivery of products and services to market, reduced costs, and increasingly engaged employees.

Our Agile Ways of Work programme creates opportunities for learning and development, particularly helping employees adapt to new and digitised ways of working and empowering them to meaningfully contribute to a digital-first organisation.

Culture plays a key role in the successful adoption of Agile principles; our #PeopleFirst strategy, is designed to embed an innovation and high-performance culture.

People and culture report: Page 74.

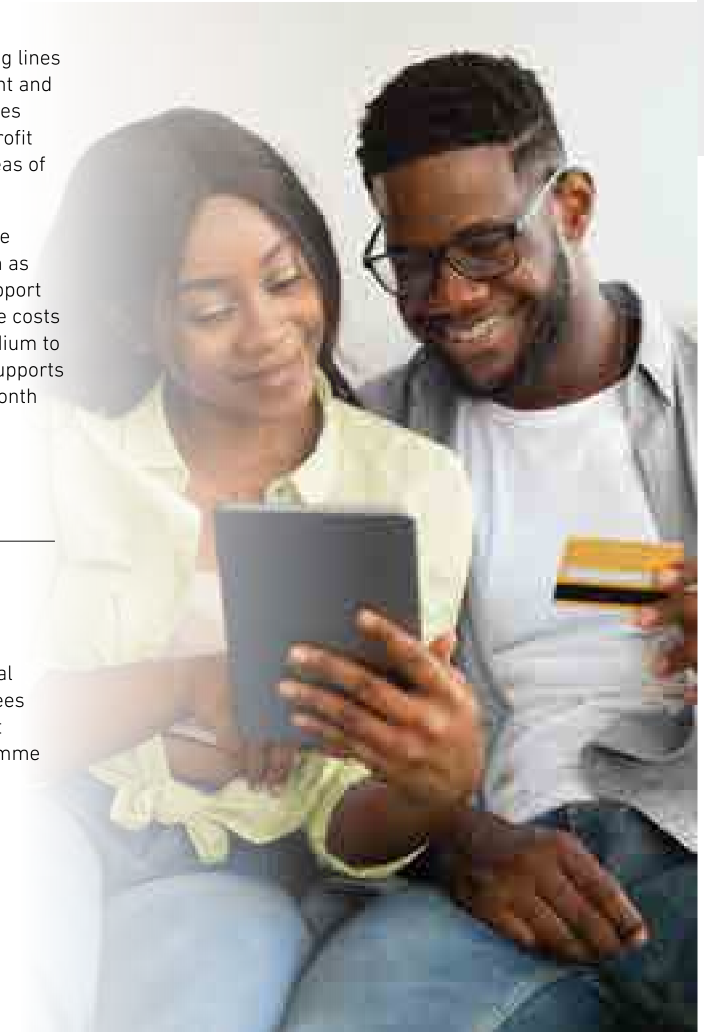
Organisational structure

We are structuring our workforce into multi-divisional fit-for-purpose Agile squads empowered to drive the delivery of our strategic imperatives. These cross-functional, self-sufficient teams will own projects end-to-end, supporting efficient collaboration, shorter development cycles, maximised productivity and the use of fewer resources. This work has begun at Group level with clear responsibilities allocated to the Group executive and our in-country leadership teams in terms of their respective roles in our strategic delivery. For example, country CEOs are now part of Group strategic decision-making, shorter reporting lines have enhanced executive oversight and our regional and product executives are now held to account for the profit and loss achieved within their areas of responsibility.

Our regional shared service centre centralises certain functions such as Finance Operations, Business Support and People Operations to optimise costs for all our subsidiaries in the medium to long term. Currently, the centre supports around 157 000 transactions a month across the Group.

Digital skills

Resilience, adaptability and a solid grounding in digital literacy are now essential attributes for most employees. We provide programmes that teach our employees the skills they will need in a digital future and we are actively working to recruit and retain exceptional digital talent and specialists. Our Digital Mastery Programme empowers participants to develop future-fit digital skills, digital experience and specialist knowledge.



2022 PERFORMANCE

Operational productivity

31.6%

increase in operational productivity Group-wide since introducing our Agile Ways of Work model. This is slightly down from the gains achieved in 2021.

Agile squads

24

Agile squads operate across the Group, representing multiple markets and functions, supporting the swift execution of strategic goals and digital project roll outs.

Enterprise agility

>1 000

employees have been trained on the Agile Ways of Work programme.

Agile Ways of Work

- We added an internally developed Lean and Agile Fundamentals course to our online learning platform with 1 134 employees enrolled and 1 002 completions.
- Lean Agile Centre of Excellence teams were established in each subsidiary to promote the Agile Ways of Work programme.
- All coaches participating in our Agile coaching intervention completed the Release Train Engineer certification training. Going forward, we expect to see enhancements in the way that coaching is delivered.

Digital skills

- We launched the LetsGo Digital Mastery Programme in Botswana in July 2022, enrolling both our employees as well as promising external candidates with strong digital skills.

Recruiting digital and specialist skills

13

appointments made to support our digitalisation (2021: 131).

60

employees support the LetsGo Digital Mall.

Digital Mastery Programme

14

participants enrolled in the first cohort of our Digital Mastery Programme.

2023 LOOKING AHEAD

- Transition the remaining subsidiaries to new organisational models and introduce matrix reporting across markets.
- Continue to drive our Agile Ways of Work programme.
- Accelerate enterprise agility by structuring teams along value streams.
- Implement a value stream aligned business and related performance reporting.

Medium term (next two to three years)

- As more of our processes are streamlined and automated, we expect the changes made to our organisational structure to lower Group servicing costs, and create centres of excellence that deepen skills and support improved customer experiences.
- We will continue to enhance the LetsGo employee experience as we deepen the embedment of the new employee value position.

Sustainable **stakeholder value**

OVERVIEW

As we work to build value for our shareholders we expect to create long term value reflected by improved returns on equity and on assets and good dividend pay-outs. We will work with all other stakeholders such as governments, tax authorities, partners and customers towards mutually beneficial relationships. We aim to deliver an attractive employee value proposition and positively impact the societies we operate in.

Repositioning ourselves as a retail financial services organisation is key to our competitiveness. Our new products and services, delivered digitally and at affordable prices, provide diversified revenue streams and are attracting new customers and increasing the number of products taken up by our existing customers. Our digital transformation is delivering efficiencies and providing the data needed to deliver excellence; for our customers, for our employees and in our processes.

A key priority for the Group is to mobilise retail savings and customer transactional deposits to diversify our funding base, boost transactability and lower the cost of lending. Beyond customer deposits, our funding sources include bonds raised and funding from banks and DFIs. We work with our operations to raise local funds to curb rising hedging costs and foreign exchange fluctuation, for example Namibia raises its own funding through the local bond market. The funding from banks and DFIs supports our social impact financing strategy.

Our purpose is to improve lives. Despite all the changes we are making, our core business of being an inclusive financial services provider has not changed and remains our greatest impact on society. Making relevant financial products and services accessible to under-served markets has the power to alleviate some of the greatest challenges faced by communities today; reducing poverty and inequality, increasing economic growth and employment, supporting entrepreneurship, facilitating access to critical services such as education and healthcare, and playing a key role in environmental improvement. Our financial inclusion efforts extend beyond providing access to much needed solutions such as affordable housing, to transforming the way in which these solutions are delivered. One example is our partnership with a fintech to process housing loan applications faster (reduced from 90 days to 30 days).

We believe that there is room to enhance our value creation for stakeholders, including greater shareholder returns. We remain confident that our Transformation Strategy will offer sustainable returns, and ensure the Group's resilience and sustainability into the long term. In the short term; however, ongoing investment is needed in our people and technology. How we allocate capital is governed by our capital optimisation plan, which ensures our capital allocation drives our Transformation Strategy and subsidiary growth initiatives. We expect the valuation of our business to increase, and our ROE to improve towards our 2025 ambition.

2022 PERFORMANCE

Shareholder value

- Much focus was placed on maintaining business momentum in response to turbulent macroeconomic conditions and changes to our Board and management. While macroeconomic headwinds negatively impacted the performance of certain markets, reducing our overall profits compared to prior year, Letshego remained resilient supported by strong business fundamentals.
- The Transformation Strategy remains on track to achieve our 2025 performance targets, guided by the 6-2-5 execution roadmap and bolstered by our efforts to transform digitally and build human capital capacity.
- Our delivery of measurable social impact in regional communities continues to increase with the roll out of new sustainable solutions.

See product diversification from page 48 and the social impact review from page 80.

- The new leadership appointment in Treasury is improving the structured and diversification of funding while the new Group Head of Investor Relations is enhancing our communication with our stakeholders.
- The Group's dividend payout ratio was 71%; up from 50% to maintain the dividend value paid in 2021 and in recognition of the effect of inflation on dividends.

Return on equity
Reduced to
8%
(2021: 14%).

Cost-to-income ratio
Increased to
63%
due to net interest income pressure and inflationary cost increases
(2021: 52%).

Total assets
5%
P16.91 billion
(2021: P16.06 billion).

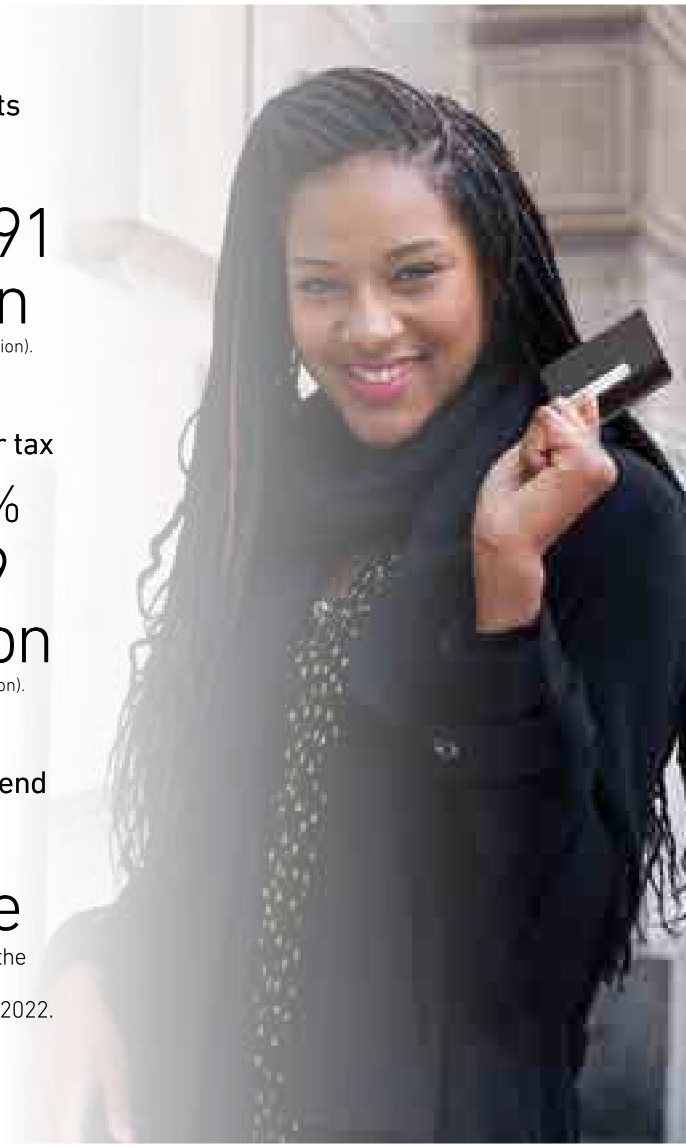
Return on assets
Reduced to
3%
(2021: 5%).

Profit before tax
30%
P801 million
(2021: P1.15 billion).

Profit after tax
36%
P469 million
(2021: P730 million).

Earnings per share
41%
18.7 thebe
(2021: 31.5 thebe).

Final dividend
9.7 thebe
per share for the period ended 31 December 2022.



Income performance

- Total income increased by 6% to P3.68 billion (2021: P3.48 billion) driven by growth in non-funded income.
- Non-funded income increased as a result of strong growth in insurance revenue (up 21%) from our expanding suite of insurance products, and net foreign exchange (forex) gains of P90.7 million (2021: P2.4 million).
- Interest income increased by 1% to P3.15 billion (2021: P3.11 billion); however, interest expense increased 13% to P1.39 billion (2021: P1.13 billion) driven mostly by increased borrowings to support growth and the higher interest rate environment.

Net interest income

11%

P1.76 billion

(2021: P1.98 billion).

Non-funded income

43%

P529 million

including forex gain

(2021: P370 million).

Comprises

23%

of operating income

(2021: 16%).

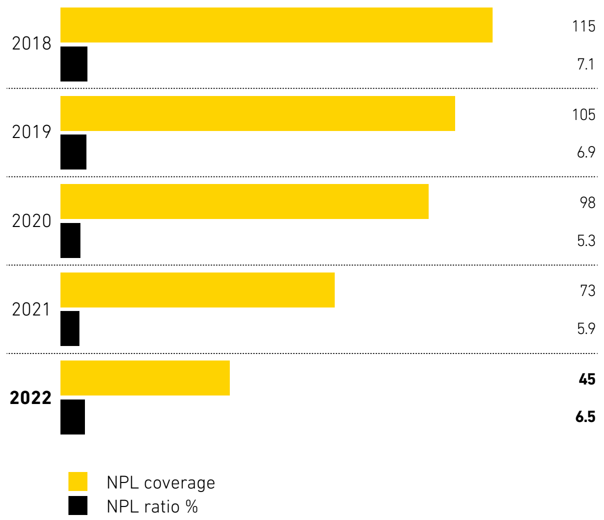
Non-funded income excluding forex gains

(P439 million)

19%

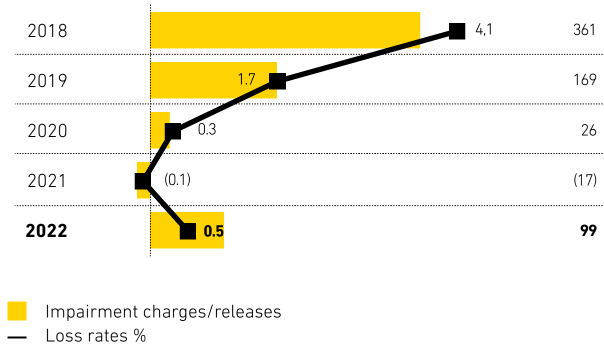
NPL provision adequacy

(%)



Impairment charges and loss rates

(P million and %)



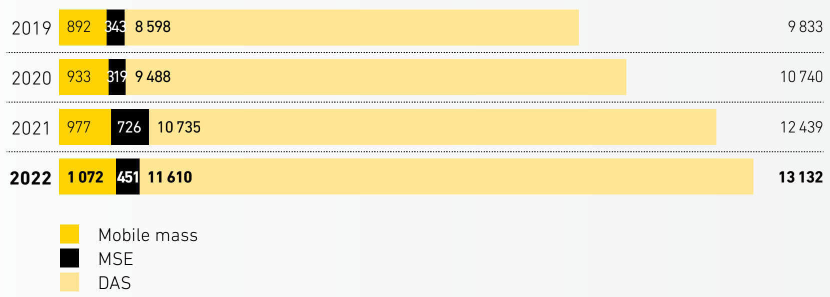
Asset quality

- Our enhanced credit risk management capabilities, strengthened credit risk governance and improving risk infrastructure (including data analytics to support better credit risk scoring and reporting) continued to support the Group's asset quality, which remained stable despite macroeconomic pressures.
- Non-performing loans (NPLs) increased to 6.5%; driven by the economic challenges in the East and West African markets, where more vulnerable MSE portfolios are predominant. In our larger markets, NPLs and recovery rates improved. The NPL impairment coverage ratio was 45% relative to 73% in 2021.
- Our loan loss ratio ended the year at 0.5% (2021: net recovery of 0.1% driven partly by a once-off impairment reversal of P75 million in East Africa) against a risk tolerance threshold of 3%.
- The Group's impairment charges were P98.7 million (2021: impairment reversal of P17.2 million) as a result of the recalibration of our expected credit loss (ECL) models to align to IFRS 9. Our loan impairment modelling factors in the DAS portfolio performance and the mitigating impacts of credit default insurance in Mozambique and Namibia. Group loss coverage remains strong.
- Recoveries remained stable despite external macroeconomic pressures.

Gross advances

(P13.132 million)

6%



Asset quality

Measure	2022	2021	2020	2019	2018
Gross loan book balance in P'm	13 132	12 439	10 740	9 833	9 542
Portfolio at risk – 30 days	9.2%	9.2%	8.3%	10.0%	10.4%
NPLs (%)	6.5%	5.9%	5.3%	6.9%	7.1%
Loan loss rate – actual	0.5%	(0.1%)	0.3%	1.7%	4.1%
Loan loss rate – excl. once-off items	0.5%	0.6%	1.8%	1.7%	2.0%

Measure		2022	2021
Southern Africa Markets Measure	Gross loan book balance in P'm	10 031	8 894
	Portfolio at risk – 30 days	10.9%	9.1%
	NPLs (%)	5.4%	4.2%
	Loan loss rate – actual	0.2%	0.5%
	Loan loss rate – excl. once-off items	0.2%	0.5%

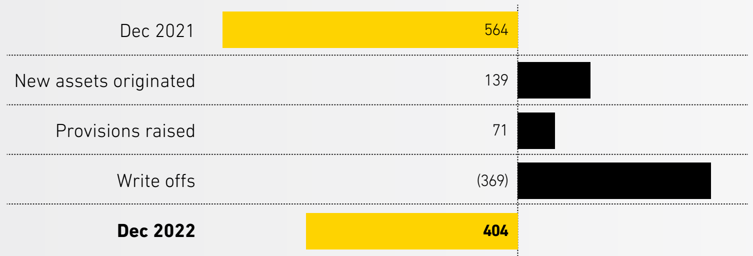
Measure		2022	2021
East and West Africa Markets Measure	Gross loan book balance in P'm	3 101	3 545
	Portfolio at risk – 30 days	36.2%	23.1%
	NPLs (%)	10.0%	10.0%
	Loan loss rate – actual	1.1%	(1.1%)
	Loan loss rate – excl. once-off items	1.1%	1.0%

Expected credit loss

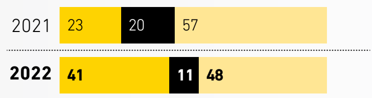
- ECLs for the year decreased by 28% to P404 million in line with improved recoveries and credit default cover insurance being in place. Portfolio indicators remain strong due to enhanced credit risk management capabilities and governance.

- **STAGE 1** category (where credit risk has remained stable) — **Performing:** driven by growth in the DAS portfolios from the digitisation strategy and credit scoring implementation.
- **STAGE 2** category (where credit risk has increased significantly) — **Under-performing:** increase due to sectoral risk in the MSE portfolio driving a significant increase in credit risk.
- **STAGE 3** category (loans past due for 90 days and more) — **Non-performing/impaired:** increase driven by the impact of macroeconomic factors on the MSE portfolio and delayed DAS remittances in some markets.

ECL movement
(P million)

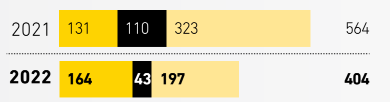


ECL split
(%) at December



Group gross advances to customers
(P million) at December

Group ECLS
(P million) at December



Stage 3 coverage ratio

45%

(2021: 73%).

Gross advances and ECL per lending portfolio: Page 48.

Effective tax rate

- The 5% increase in the effective tax rate is due to increases in:
  - Non-deductible expenses (Ghana's Domestic Debt Exchange Programme[1] introduced by the government in December 2022 resulted in the impairment of domestic bonds).
  - Withholding tax at the Holding Company. Following a growth in dividend payments from subsidiaries from P544 million in 2021 to P699 million.
  - In addition, increased tax was applied to a lower base (reduced profit before tax).
- We continue to work with local tax consultants who understand our markets, apply stringent tax management and work with our subsidiaries to monitor tax leakage to ensure an optimal tax rate.

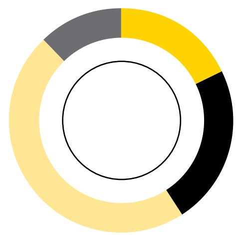
Components of the effective tax rate	2022 %	2021 %
Baseline tax charge	30	28
Withholding tax on dividends from subsidiaries, preference shares and inter Group costs	11	8
Effective tax rate	**41**	36

[1] *Holders of domestic notes and bonds were allowed to exchange these assets for a set of four new bond issuances maturing in 2027, 2029, 2032 and 2037. Letshego Ghana submitted an exchange offer for its domestic bonds with a principal and unpaid accrued interest value of P41.3 million on 19 December 2022. New bonds were issued on 21 February 2023. At 31 December 2022, the old bonds were considered to be credit impaired and ECLS of P12.5 million were recognised.*

Funding and liquidity

- Total debt increased to P8.0 billion (2021: P7.4 billion).
- The BSE bond program remained relatively stable at P933 million (2021: 918 million), Namibia's note program grew 61% to P287 million, bilateral placement of Eswatini increased by 46% to P115 million (2021: P79 million) and Ghana's note program decreased 40% to P343 million, as we matured high cost bonds to better manage the cost of funding.
- Given the increasing interest rate environment, we aimed to secure fixed rate funding to curb fluctuations in the cost of funds. Our fixed rate debt increased to P3.0 billion (2021: P2.3 billion) and makes up 37% of our total debt (2021: 31%). The variable interest rate debt is at P5.0 billion (2021: P4.6 billion).
- The cost of funds in the Southern Africa Markets rose to 9.9% (2021: 7.8%) driven mostly by the increase in variable priced facilities (reference rates increased in Botswana, Mozambique and Namibia). In the East and West Africa Markets, the cost of funds rose to 19.2% (2021: 8%), mostly affected by the increased reference rate in Ghana. To partly offset the rate increase in Ghana, we settled certain variable rate funding lines and negotiated renewals of other funds at lower margins. Overall, the average cost of borrowings for the Group increased to 11.6% (2021: 10.1%).
- Liquid assets reduced to P1.0 billion (2021: P1.4 billion) as we effectively managed the balance sheet to settle expensive funding lines, especially in Ghana.

Breakdown of funding portfolio
(%)



	P'm	%
Bonds	1 678	18
DFI	2 066	23
Bank	4 283	47
Deposits	1 121	12

Security	P'm
Secured (14%)	1 258
Unsecured (86%)	7 890
Total	**9 148**

Long-term debt funding

61%

indicating funder confidence as debt maturities extend beyond three years

(2021: 64%).

Secured debt

14%

in line with our commitment to move away from secured funding

(2021: 15%).

Debt-to-equity ratio

142%

within the Group's gearing ratio guidelines

(2021: 149%).

Moody's credit rating

Ba3

(stable) long-term issuer rating.

Ba3

corporate family rating, down from Ba2 due to regional macroeconomic challenges and increased industry risk (competition and regulation risks).

Cash reserves on hand over

P1.0 billion

indicating a healthy cash flow and liquidity position

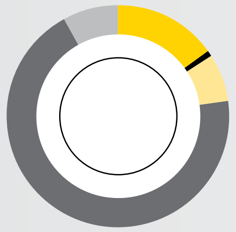
(2021: P1.4 billion).

46%

of cash and cash equivalents constituted government bonds and treasury bills to secure local currency funding and mitigate against foreign exchange risk.

Deposits

- Retail deposits increased 27% and corporate deposits reduced 24% year on year. The cost of deposits reduced to 12.3% (2021: 13.2%) driven by the shift in the mix of retail deposits. Our new Flexi-Save Accounts support low cost deposit growth.



Customer deposits

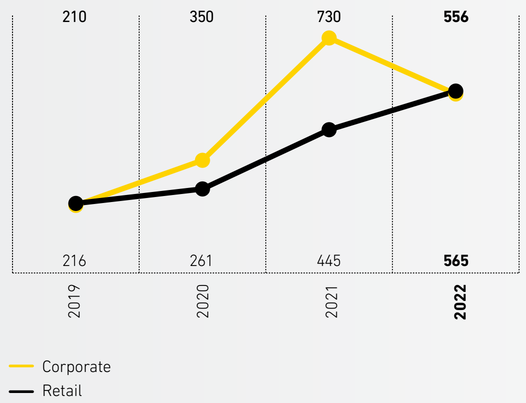
5%

P1.12 billion

(2021: P1.18 billion).

Deposit growth trends

(P millions)

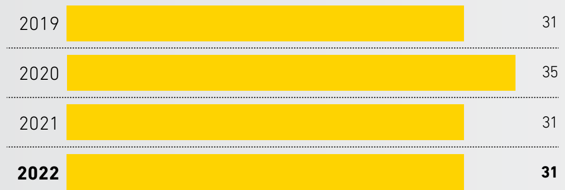


Capital allocation

- Letshego remains well capitalised and has a strong liquidity position to support future business growth. Sound liquidity buffers are in place.
- Additional capital of P14.4 million was provided to Nigeria as part of 2022 regulatory limits. Ghana was recapitalised by GHS50 million and Tanzania by P22 million.

Capitalisation ratio

(%)



Total operational expenses

- Focused digital investment, compounded by inflationary pressures[1], led to a 17% year-on-year increase in operating expenses to P1.4 billion (2021: P1.2 billion).
- Employee costs increased by 7% compared to 2021, as we continue to acquire the specialist skills needed within various areas of the business and to support the development of the LetsGo Digital Mall.

[1] *Inflation in East and West markets increased on an aggregated basis of over 200% from December 2021 to June 2022.*

2023

LOOKING AHEAD

- We expect our overall impairment coverage to remain broadly stable across all lending portfolios.

Medium term (next two to three years)

- Remain at the forefront of digital trends and banking innovation.
- Continue to leverage strong business fundamentals, technology platforms and investments to deliver long-term growth.

People and **culture report**

OVERVIEW

With increased competition for skilled, innovative and dynamic people our employee value proposition, as a key competitive advantage, must be attractive to acquire and retain the talent needed to deliver our Transformation Strategy.

We focus on providing a safe working environment, embedding a culture and purpose that inspire and engage our employees, and implementing people practices that are fair, consistently applied, support career advancement and reward high performance.

Our #PeopleFirst strategy and culture underpins our 6-2-5 execution roadmap and, at its core, aims to recognise each employee as a valued team member who plays an important role in achieving our vision to become a retail financial services provider.

#PeopleFirst strategy

People

A key focus on talent management and learning and development to ensure we have sufficient skills, particularly critical core and digital skills, in all our markets to support the Transformation Strategy and build a future-fit workforce.

Leadership

Building leadership capability to drive the transformation programme, embed our desired culture and support employees through the changes that arise in the adoption of new ways of working.

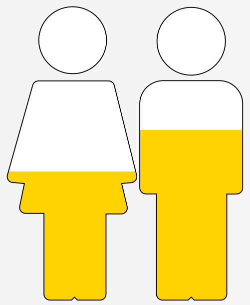
Culture, systems and processes

The effective management of employee engagement, transparent and objective performance management and mitigating people-related risks to deliver an attractive employee experience. We are committed to embedding a culture of innovation and high performance.

Workforce profile

We promote gender parity in the workforce to better serve and communicate with our increasingly gender-diverse customer base and to benefit from different points of view and approaches that come from different life experiences. Leveraging a multiplicity of perspectives sparks creativity and innovation, helps identify opportunities and boosts employee morale.

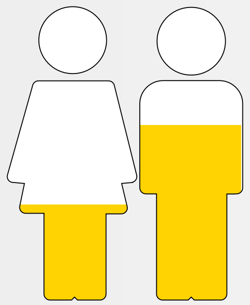
Workforce



48% 52%

2021: 48% women.

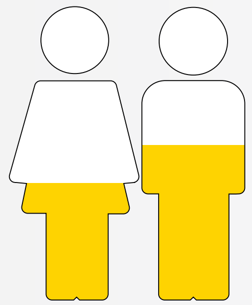
Senior management



36% 64%

2021: 35% women.

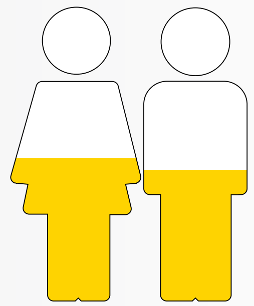
Overall management



42% 58%

2021: 38% women.

General employees



51% 49%

2021: 53% women.

Employment status

1 705

permanent employees

(2021: 1 765).

189

temporary employees

(2021: 362).

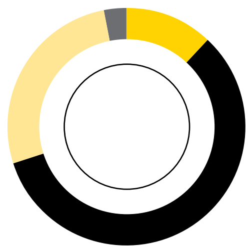
Turnover rate

13%

(2021: 14%).

Age profile

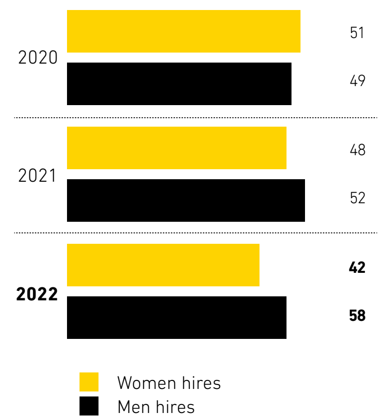
(%)



<30	12%
30 - 40	58%
40 - 50	27%
>50	3%

Hires by gender

(%)



Employee turnover

	Number of employees at 31 Dec 2021	Employees left during the year*	Employees hired during the year	**Number of employees at 31 Dec 2022**
Group	213	24	36	**225**
Botswana	149	5	12	**156**
Eswatini	27	3	5	**29**
Ghana	185	5	2	**182**
Kenya	156	49	41	**148**
Lesotho	45	1	5	**49**
Mozambique	169	6	3	**166**
Namibia	157	24	15	**148**
Nigeria	282	55	8	**235**
Rwanda	52	2	5	**55**
Tanzania – LBT	79	10	5	**74**
Tanzania – Faidika	59	6	3	**56**
Uganda	192	25	15	**182**
Total	**1 765**	**215**	**155**	**1 705**

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

Learning and development

Our learning and development strategic skills framework ensures that our development interventions support career advancement and the skills required by the Group. Other benefits include driving a great customer experience, empowering our employees to make a meaningful contribution to the Group's success, in turn, supporting job satisfaction, and enhancing our ability to attract and retain key talented individuals.

Learning and development is linked to individual development plans, talent management and succession planning.

We provide various training and development interventions to help our employees reach their full potential. Our online learning portal is available to all employees and provides access to over 4 000 accredited training and skills-enhancing courses from world-renowned universities. Topics include cybersecurity, leadership development, and lean and agile working as well as a variety of general courses.

Our initiatives to enhance digital skills within the Group is discussed on page 64 of the execution engine section.

Leadership development

Our leadership development programmes focus on delivering a unified leadership and culture experience for our employees. Leadership development programmes for executive and managerial employees from GIBS incorporate 360-degree assessments and develop leadership skills that align with our strategic objectives. We also partner with the McKinsey Black Academy on a leadership development programme for top talent across the Group, enabling our leaders to acquire unique global expertise.

Employee engagement

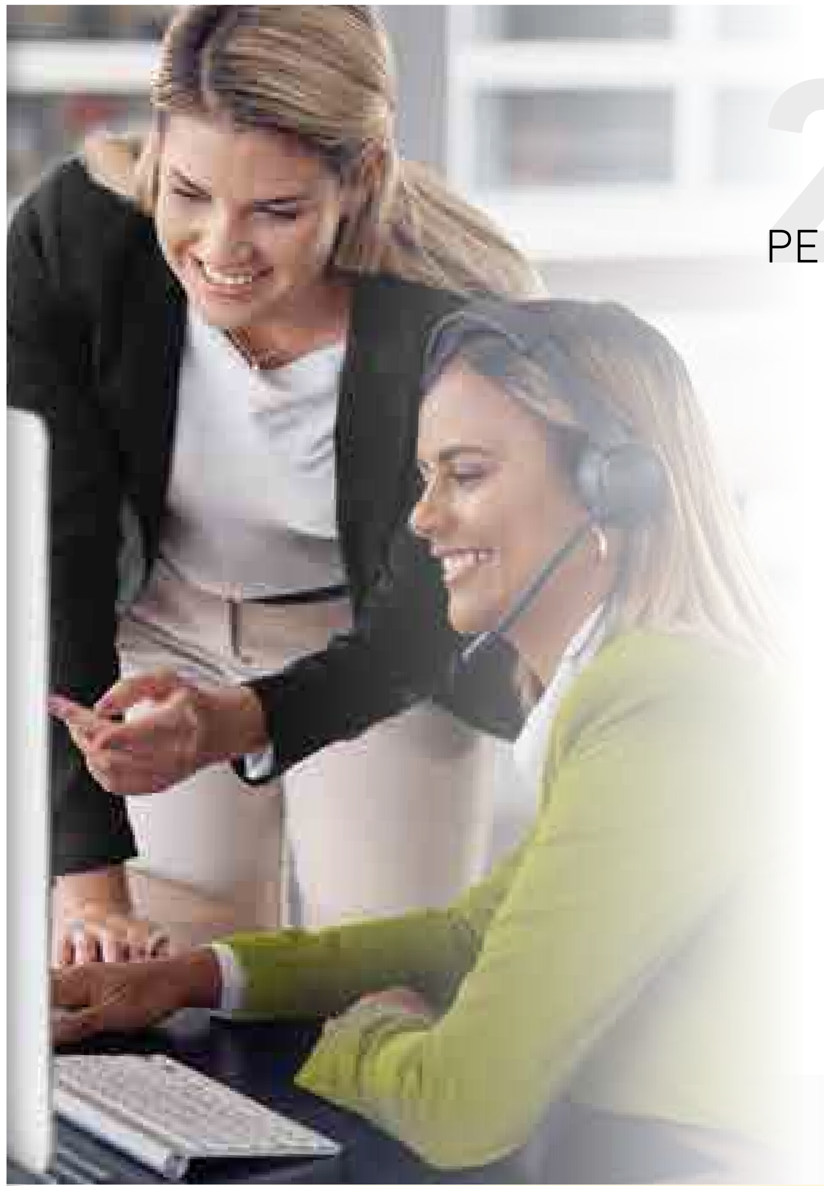
Our people theme for 2022 was sustainable employee engagement. This included developing a clear employee value proposition, with a focus on ensuring that a world-class employee experience is created and our employer brand strengthened. Significant progress has also been made to deliver our #PeopleFirst strategy, which focuses on building tomorrow's people today.

Our digitised performance management process supports automated end-to-end performance reviews at corporate and individual level. The process is transparent, ensures a strong focus on results and tangible outcomes, supports robust employee engagement, and enables improved reporting on performance against strategic goals. The objectives and key results measured as part of the performance management process are cascaded from Group goals into country and department goals.

A people risk framework is in place for all our markets of operation and its implementation is tracked at Group level.

Health and wellbeing

The mental and physical health and wellbeing of our employees has a direct impact on productivity and an effective and efficient working environment. Independent Counselling and Advisory Services (ICAS) manages our employee assistance programme, which gives our employees 24-hour access to a wide range of services, including counselling, and health information and advice. The service is used in three of our markets. Wellbeing initiatives have also been introduced to support our employees through the changes brought about by our strategic transformation, including resilience training.



2022 PERFORMANCE

People

Learning and development

82%

of employees received training

(2021: 17%).

Online learning

1 408

employees have completed at least one course on the online learning platform since its inception in 2021

(2021: 1 078).

6 631

courses have been completed

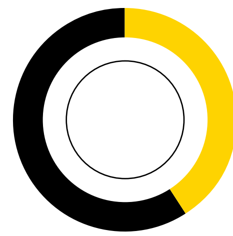
(2021: 3 414).

Online learning hours

22 627

self-led learning hours were completed, averaging 13 hours per employee

Training spend by gender



(2021: 47% women).

Training spend breakdown

Senior management	42% (2021: 2%)	26% (2021: 1%)
Management	8% (2021: 4%)	2% (2021: 3%)
General employees	8% (2021: 42%)	11% (2021: 48%)

Training spend

(P '000s)

Leadership

- Key appointments for the year include the new CEO in Nigeria, Group Head of Treasury, Group Head of Investor Relations, Group Head of AML, Group Head of Technology and the Group Head of Procurement.
- Head of group legal, governance and company secretary
- We have started rolling out our talent management framework to identify and develop top talent.

GIBS

104

leaders attended a GIBS development programme

(2021: 136).

McKinsey Black Academy

50

top talented regional employees attended the McKinsey Black Academy programme.

Culture, systems and processes

- In November 2022, we conducted our annual employee engagement survey to measure the engagement levels of our employees. The survey also provides an employee NPS score, which measures willingness to recommend Letshego as a good place to work. The survey was made available to all employees.
- Our overall engagement score dropped as a results of the leadership changes at executive level.

eNPS

10

where ten is considered to be a healthy score

(2021: 8).

Overall engagement score

60.3%

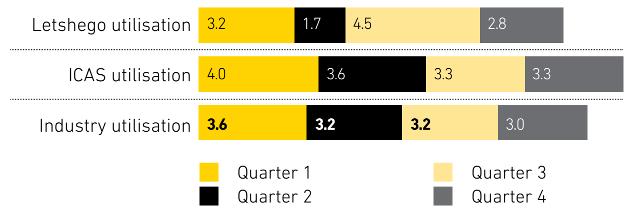
of the workforce is considered to be engaged

(2021: 65.8%).

Health and wellbeing

Issues raised by our people through the ICAS service included social and general health and work life issues. No issues relating to abuse were raised.

ICAS usage (%)



Average annual ICAS usage (%)

2023

LOOKING AHEAD

People

- Continue to roll out our employee value proposition to drive sustainable employee engagement.

Leaders

- Complete the roll out of the talent management framework.
- Develop effective retention measures for talented individuals within the Group.

Culture, systems and processes

- Continue to roll out our Agile Ways of Working programme across all Group businesses to align to a common Letshego culture of delivery and productivity.
- Continue to reorientate our businesses to align with our value streams to deliver positive results.

Health and wellbeing

- Drive increased awareness around health and wellbeing.
- Implement various programmes to support employee wellness.

Medium term (next two to three years)

- Offer international mobility across the business to strengthen our talent pool.
- Improve employee growth and development through succession planning and promotion opportunities.
- Improve employee engagement by up to 10%, increasing productivity, job satisfaction and retention.

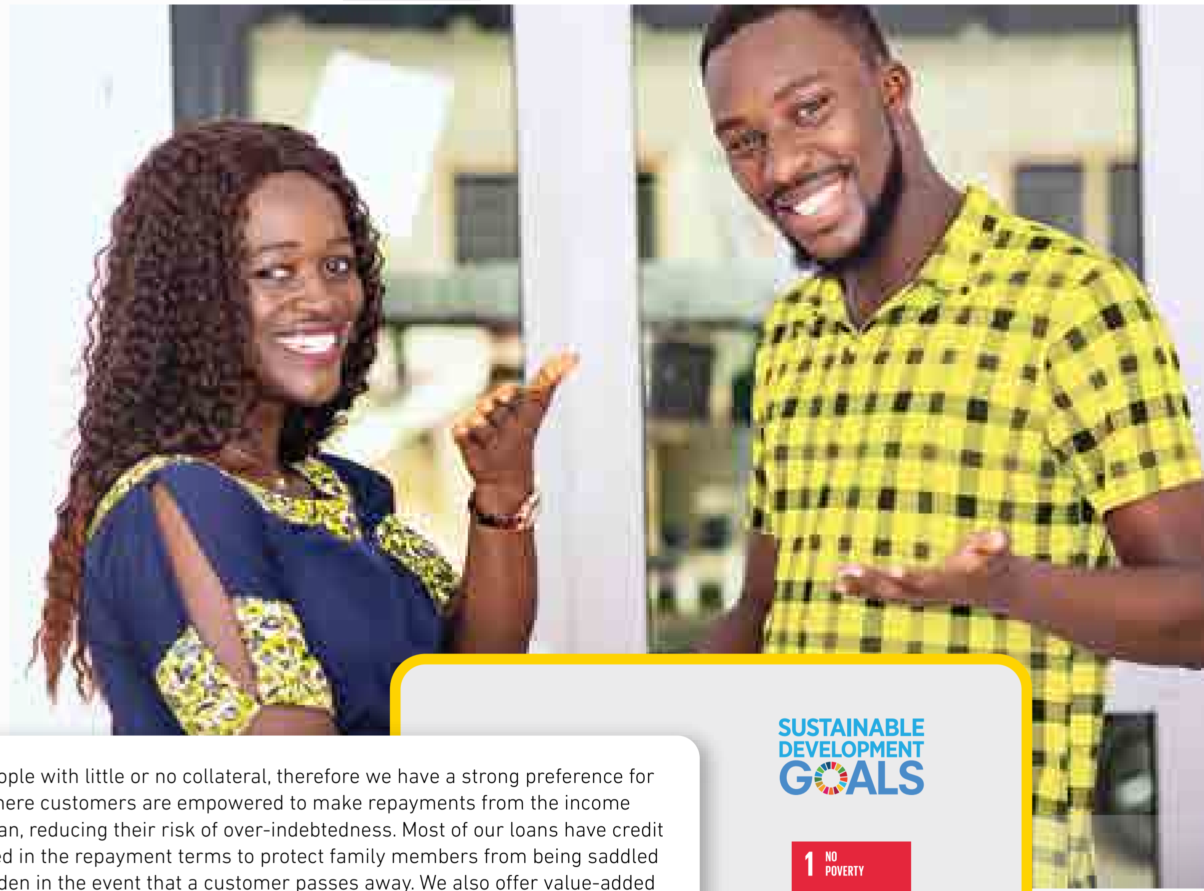
Social impact **review**

OVERVIEW

Holding a bank account or mobile wallet serves as an entry point into the formal financial system and enables people to mobilise household savings, protect themselves against risks and unexpected financial expenses, and build a credit history, paving the way to future access to capital which they can invest in their families, households and businesses to improve their lives.

Digitalisation: Page 56.

Digital technology, including mobile phones, is bringing formal financial services to previously financially excluded and under-served populations at an affordable cost, including those living in rural areas. Our value proposition is a fast onboarding process and improving turnaround times, fair product pricing and easy and transparent digital services accessed over multiple channels. The LetsGo Digital Mall is a key enabler of our ability to deliver enhanced inclusive financial services across our footprint. As we deepen the platform's capabilities, we aim to support customers along their entire financial services journey as well as provide personal wellbeing.



Productive use of loans

We often lend to people with little or no collateral, therefore we have a strong preference for productive loans where customers are empowered to make repayments from the income generated by the loan, reducing their risk of over-indebtedness. Most of our loans have credit insurance embedded in the repayment terms to protect family members from being saddled with a financial burden in the event that a customer passes away. We also offer value-added products including loyalty benefits, funeral and life cover. Our newly introduced digital Instant Loans enable customers who manage their small loans responsibly to improve their credit profile and increase access to productive finance.

Supporting entrepreneurs

Entrepreneurs and their endeavours provide the economic backbone of many developing countries, with formal MSEs contributing up to 40% of GDP in emerging economies[1]. In Africa, MSEs provide an estimated 80% of jobs on the continent[2], representing an important driver of economic growth. More broadly, these businesses contribute to growth in their supply chains, additional revenue to government and development of community infrastructure.

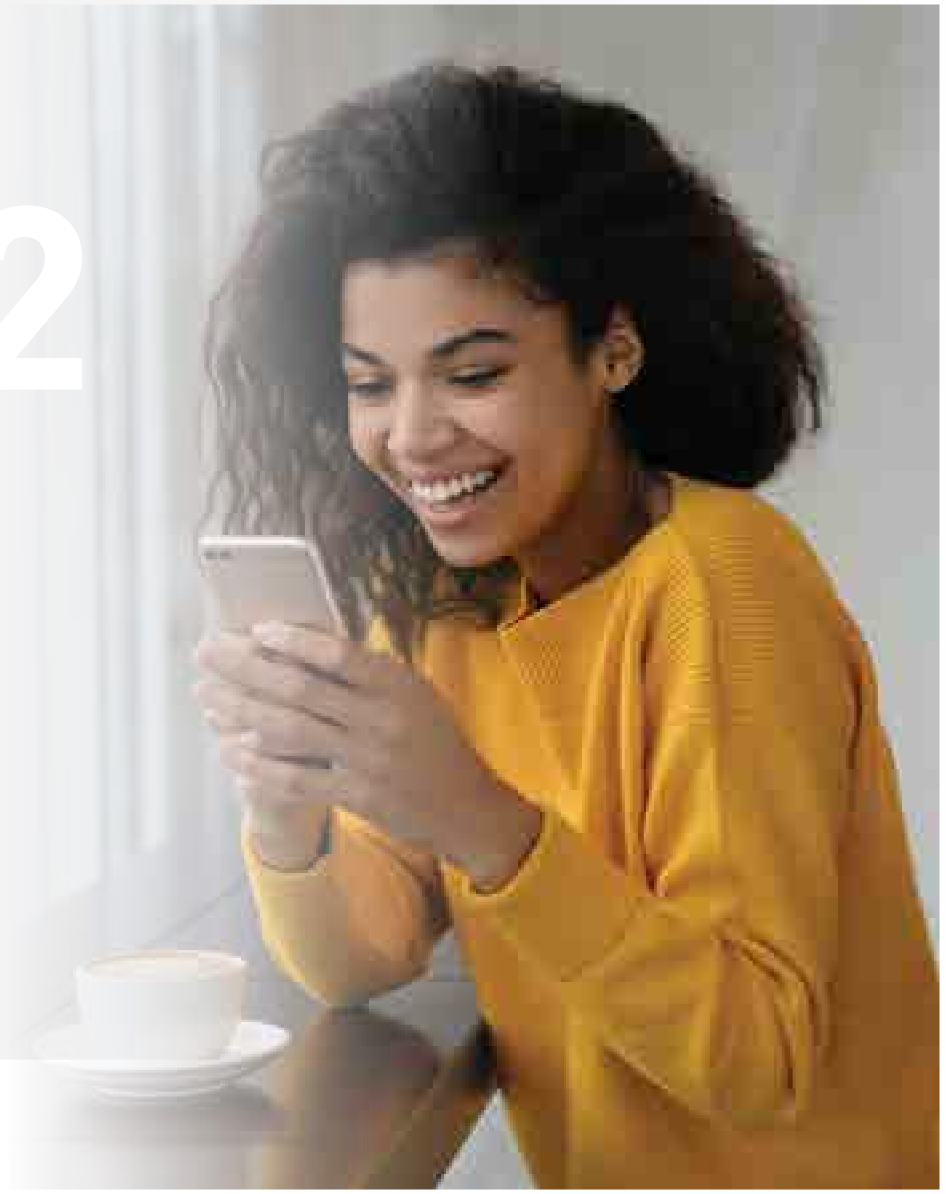
Our financial solutions empower under-served customers to start a business or improve the financial performance of their current business, ultimately improving their income levels and sustaining their livelihoods and those of their employees. Our customised solutions are designed to support the growth of MSEs, and range from the provision of working capital and short-term loans to ecosystem financing. Funds can be used to purchase primary inputs, upgrade infrastructure, or purchase land or premises. In addition, our programmatic lending offers much needed solutions that address social needs, with our products tackling access to affordable housing and education. These solutions are also available on the LetsGo Digital Mall.

The use of digital and mobile services helps MSEs reduce their operating expenses and supports quicker and easier payments to their suppliers. As we grow the capability of the LetsGo Digital Mall, we will broaden our digital offerings to MSEs.

[1] *https://www.worldbank.org/en/topic/smefinance.*
[2] *Centre for Strategic and International Studies.*

2022 PERFORMANCE

- New products and services launched during the year for mass and middle-income groups are discussed in detail in the product diversification section, from page 48.
- Launched products for MSE working capital and MSE purchase order financing on the LetsGo Digital Mall.
- The Group has progressed with telecommunications partnerships to leverage ecosystems that will further enhance financial inclusivity, social impact and digital transformation in 2023.
- The next phase of the Transformation Strategy will centre on enhancing and deepening customer centricity.
- In 2023 we are aiming to launch a digital MSE product in Lesotho, Tanzania, Kenya and Nigeria.



Impact measure

Economic growth

Every US Dollar invested in MSEs generates on average an additional USD12 in the economy, 41% of which benefits those outside the enterprise[1].

P10 billion

additional stimulus to the African economy from our MSE lending in 2022.

Economic stimulus

(P 'billion)

Indirect economic stimulus to those outside of our customer base from our MSE lending

Direct economic stimulus from our MSE lending

[1] *From Poverty to Prosperity: Understanding the Impact of Investing in Small and Medium Enterprises, SEAF, 2014.*

60_Decibels social impact survey results

Personal use of loans

55% of respondents used their loan for personal use, investing in homes or education etc. **60%** of female respondents used their loan for personal use compared to **55%** of male respondents.

Business use of loans

45% of respondents used their loan for business use – **24%** for renovations, **6%** to establish a new venture and **22%** to purchase an asset such as a vehicle or land.

Income improvement

43% of respondents reported an increase in business income. **17%** said business income had very much improved due to Letshego.

Benchmark 24%

Loan repayments

55% of respondents said that repayments were not a problem.

Benchmark 70%

63% said they had not had to cut back on consumption to repay their loans.

Benchmark 72%

Paid employees

11% of respondents had increased their number of paid employees due to Letshego.

Benchmark 13%

Resilience

56% of respondents reported having an improved ability to face a major expense.

23% said that they now have 'very much' improved resilience due to their investments with Letshego.

Benchmark 20%

Financial wellbeing

67% of respondents said that their ability to save had improved since becoming a Letshego customer.

24% said that their savings had 'very much' improved.

Benchmark 18%

Quality of life

82% of respondents said that their quality of life had improved since becoming a Letshego customer.

37% said that their quality of life had 'very much' improved.

Benchmark 35%

Note: We conducted a social impact survey across all 11 of our markets, using the capabilities of a global, tech-enabled social impact measurement company. 2 262 customers, 48% being women, were surveyed.

Affordable housing

Access to affordable housing finance has profound health and financial wellbeing benefits for individuals, providing adequate and safe homes with proper sanitation and energy and water provision, ownership of a personal asset, and sustainable self-sufficiency. It also mobilises savings and investment, supports home-based enterprises, reduces incidents of child diseases and enhances the performance of school children.

Delivering affordable housing at scale supports the housing market, contributes to national infrastructure, and facilitates job creation and financial inclusion. In addition, as the world transitions towards cleaner and low-carbon economies, green affordable housing developments and lending initiatives can support this shift.

More broadly, adequate accommodation for communities engenders human dignity, contributes to inclusive economic growth (inequality and poverty reduction), improves national living conditions, increases municipal revenues, boosts climate change resilience and contributes to community social wellbeing and cohesion.

Our affordable housing solutions help our customers buy a home, build a new home, improve or extend their homes and purchase land. We also work with developers and qualified engineers to plan houses that are affordable and of a robust quality.

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY

5 GENDER EQUALITY

11 SUSTAINABLE CITIES AND COMMUNITIES

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

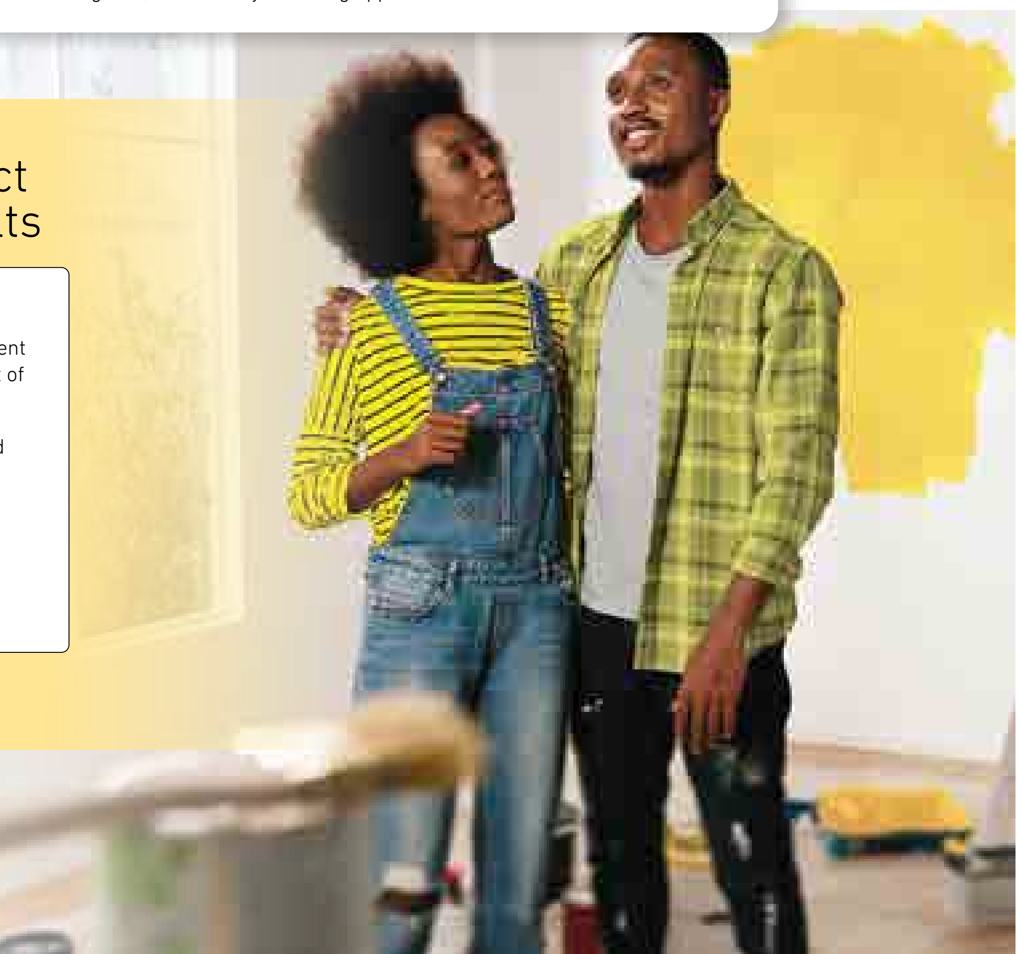
10 REDUCED INEQUALITIES

17 PARTNERSHIPS FOR THE GOALS

Green lending

In Ghana, our green housing development, which uses only local materials, is eligible for funding from the Global Climate Partnership Fund. These homes will generate substantial financial savings, yielding short payback periods of less than 1.5 years. Assessments to understand the potential of green lending in Nigeria and Tanzania have revealed opportunities to fund solar solutions, energy-efficient appliances and vehicles as well as green buildings.

As part of the EcoFridges Go pilot (led by the UN Environment Programme's United for Efficiency initiative), we provide loans to finance the purchase of qualifying energy efficient air-conditioners or refrigerators in Ghana. Customers who take up this offer can benefit from lower electricity bills. On review of the pilot findings and experience, we look forward to expanding into more green, eco-friendly financing opportunities.



Social impact survey results

Home improvements

Three out of five survey respondents spent more on home improvements as a result of a Letshego loan.

20% of respondents said their household spending on home improvements had 'very much' increased.

Benchmark 16%

Healthcare

Enabling people to maintain good health not only improves their quality of life, wellbeing and social participation, but it also reduces population susceptibility to infectious disease outbreaks, in turn, contributing to economic growth, employment and the reduction of income inequality. In addition, when people are able to access quality healthcare, particularly primary healthcare, it reduces the disease burden placed on public healthcare systems.

We offer working capital and short-term loans to help our customers access the healthcare they need, and we give them access to wellness information using our digital channels.

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

5 GENDER EQUALITY

17 PARTNERSHIPS FOR THE GOALS

Employee health and wellbeing: Page 76 and 79.

2022 PERFORMANCE

- We launched Digital Wellbeing in nine of our markets providing access to online healthcare and advice for users of the LetsGo Digital Mall. Customers can access nutrition and fitness guidance, mental health, emotional support and healthy lifestyle coaching, enabling them to live a healthier life. At year-end, there were 25 000 active Digital Wellbeing users.
- We progressed our doctor training programme on virtual telemedicine services in Kenya. This will pave the way for digital doctor consultations on the LetsGo Digital Mall.
- In Uganda we partnered with Rotary on an initiative to support maternal and child mental health in less advantaged communities through youth sport engagement.

Social impact survey results

Healthcare

10% of respondents said their household spending on healthcare had 'very much' increased due to Letshego.

Benchmark 9%

Education

Sustainable economic development can only be achieved when populations have access to education and when opportunities exist for people to enhance their skills. Investing in education positively impacts incomes, employment, economic growth, risk management, individual and community resilience and civic engagement, in turn, reducing poverty and inequality and increasing levels of tolerance.

Within our education lending portfolio we offer working capital, short-term loans and loans to support secondary and tertiary education. We also work with a number of partners to develop appropriate products for teachers.

Employee learning and development: Page 76.

2022 PERFORMANCE

- We partnered with the Botswana Teachers Union to deliver a bespoke financial literacy programme, reaching teachers across the country over a 12-month period.
- In Mozambique, we launched an initiative to provide education scholarships for young technical students in partnership with the Ministry of Education and Academy of Community Development.

Social impact survey results

Education

18% of respondents said their household spending on education had 'very much' increased.

Benchmark 13%

School fees

32% of respondents used their personal loans to pay school fees. **34%** of women respondents used their loan for school fees compared to **29%** of men respondents.

Gender equality and women empowerment

On average, women contribute larger portions of their income to household consumption and generate higher levels of positive impact in their communities. Therefore, helping women to fully participate in economies promotes growth, builds diversified economies, reduces income inequality, and contributes to financial sector stability.

We place a strong focus on diversifying our loan book and empowering women. When analysing gender and microfinance usage, our female customers generally make more productive use of loans; however, there is no research as yet on how gender affects NPL book performance.

Workforce profile: Page 74.

2022 PERFORMANCE

Overall customer profile by gender (%)

	Women customers	Men customers
2019	35.5	64.5
2020	36.1	63.9
2021	36.0	64.0
2022	**38.5**	**61.5**

Loans to women

13%

in lending to women with a total loan value of

P4.9 billion

(2021: P4.4 million).

Growth in loans to women

Value of loans (P million)

2019	3 554
2020	3 793
2021	4 382
2022	**4 942**

Impact measure

Household consumption

Annual household spending to meet every day needs increases USD0.22 for every additional USD1.22 borrowed by women from credit programmes, compared with USD0.13 for men[1].

P850 million

was used productively in annual household spending from the loans provided to women in 2022 compared to the P819 million by men for the year.

[1] *Empowering Women through Microfinance: Evidence from Tanzania, Kato. M & Kratzer. J, ACRN Journal of Entrepreneurship Perspectives, February 2013.*

Partnerships and collaboration

To accelerate the pace of inclusive and sustainable development on the continent, African countries must leverage new tools, innovative solutions and technology, as well as strong, proactive and responsible governance frameworks, to build strong, agile, sustainable and resilient national systems. The delivery of these systems will depend on enhanced partnerships between governments and the private sector, academia, non-governmental organisations, civil society and other stakeholders, where all parties are committed to a long-term vision and leadership, shared norms and values and social cohesion.

SUSTAINABLE DEVELOPMENT GOALS

17 PARTNERSHIPS FOR THE GOALS

#LetsGoNation

As we develop the LetsGo Digital Mall, we intend to create a community that through collective gain, delivers positive social impact, while at the same time increases the value of our business. The Digital Mall will serve to bring together a connected community of like-minded customers and thought leaders – the #LetsGoNation – creating opportunities for them to advance themselves, their communities and the environment. Africa's development is strengthened, by sharing their experiences and strengths and to learn from each other.

For Letshego, we benefit from a better insight into what inspires our customers, enabling us to develop relevant products and services that support their ambitions and meet their needs. 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.

Strategic partnerships

Our programmatic lending makes us an attractive option for international partners who share our objective to provide simple, affordable and easy-to-use financial solutions that deliver a positive social impact. We look for partners who have a strong presence in Africa and are able to help us expand our reach, launch new inclusive products, achieve our Transformation Strategy and make our promise to improve lives a reality for our customers. In return, our partners' customers gain access to our customer base where there are opportunities to share services. Strategic collaboration can release immense synergies and contribute to Africa's development.

Collaboration

We actively participate in industry and regulatory working groups, and engage with governments, to contribute towards the development of a robust and productive financial sector framework for the markets in which we operate, and to secure the interests of all participants within a financial ecosystem.

2022 PERFORMANCE

- Made good progress in developing partnerships with telecommunications operators to leverage ecosystems that will further enhance financial inclusivity, social impact and digital transformation in 2023.
- We continued to work closely with governments to drive financial inclusion, and have enjoyed tremendous support from our shareholders, regulators, funders, partners and suppliers.
- Partnered with an accredited education provider to develop the DIgital Mastery Programme.

Country chief executive officers

Selloane Tsike
Lesotho

Nationality: Mosotho
Residence: Lesotho

Kgotso Bannalotlhe
Botswana

Nationality: Motswana
Residence: Botswana

Nii Amankra Tetteh**
Ghana

Nationality: Ghanian
Residence: Ghana

Adam Kasaine
Kenya

Nationality: Kenyan
Residence: Kenya

Carlos Nhamahango
Mozambique

Nationality: Mozambican
Residence: Mozambique

Ester Kali
Namibia

Nationality: Namibian
Residence: Namibia

Nkosana Ndlovu
Nigeria

Nationality: Zimbabwean
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

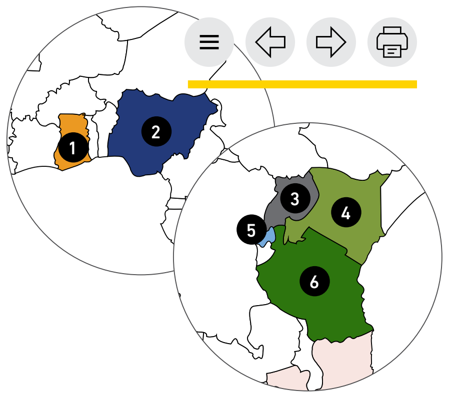
Baraka Munisi
Tanzania Faidika

Nationality: Tanzanian
Residence: Tanzania

* *Acting CEO.*
** *Pending final regulatory approvals at time of publication.*

REGIONAL REVIEWS

East and West Africa



1 Ghana		
PROFIT BEFORE TAX (PBT)	**P 31 million**	(2021: P 96 million)
2 Nigeria		
PBT	**P 23 million**	(2021: P 6 million)
3 Uganda		
PBT	**P 47 million**	(2021: P 53 million)
4 Kenya		
PBT	**P 22 million**	(2021: P 149 million)[1]
5 Rwanda		
PBT	**P 2 million**	(2021: P 0.4 million)
6 Tanzania		
PBT	**P 21 million**	(2021: P 15 million)

[1] *Includes once-off loan write-back of P75 million.*

Customers (2022)
5.8 million
2021: 5.1 million

Employees (2022)
931
2021: 1 005

Outlets (2022)
400
2021: 407

Operating environment

- East and West African countries have been impacted by adverse macroeconomic conditions driven by a slowdown in global growth.
- Rising food and energy crises driven by Russia – Ukraine turmoil exacerbated the region's economic and social risk profile
- The domestic debt exchange programme had a significant impact on Ghana's funding, cost base and bond valuation.

Products

Payments LetsGo pay
Lending LetsGo borrow
Savings LetsGo save
Insurance LetsGo insure
Lifestyle LetsGo live

LetsGo Digital Mall
APP WEB USSD WHATSAPP

2022

Performance highlights

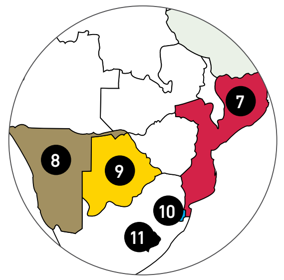
- Notwithstanding the challenging operating environment, some countries showed resilience and growth.
- Tanzania Faidika's PBT was a record P53.6 million, Rwanda recorded a PBT of P1.8 million and Nigeria a PBT of P23.5 million.
- Ghana's business momentum was impacted by record inflation, depreciating currency and rising interest rates.
- Credit impairment charges increased due to higher NPLs and a non-repeat of a 2021 recovery in East Africa.
- NPL increase was mainly driven by vulnerable MSE portfolios in East and West Africa.
- Mass mobile loans launched in Uganda in 2022 and digital payment solutions in Ghana, Rwanda and Nigeria.

2023

LOOKING AHEAD

- Support the turnaround of Ghana by adjusting the product offering and leveraging local funding opportunities to manage the cost of funding.
- Strengthen partnerships with corporates and employers to extend insurance product offerings through LetsGo@Work solutions.
- Roll out Instant Loans in Kenya and Nigeria in 2023.
- Continue to develop innovative customer-centric solutions for customers, as well as social impact offerings, on the LetsGo Digital Mall
- Achieve business and brand impact by merging Tanzania entities into one operation.

Southern Africa



7 Mozambique		
PBT	**P 232 million**	(2021: P 285 million)
8 Namibia		
PBT	**P 322 million**	(2021: P 331 million)
9 Botswana		
PBT	**P 521 million**	(2021: P 496 million)
10 Eswatini		
PBT	**P 70 million**	(2021: P 30 million)
11 Lesotho		
PBT	**P 56 million**	(2021: P 48 million)

Customers (2022)
846 269
2021: 577 171

Employees (2022)
548
2021: 547

Outlets (2022)
503
2021: 505

Operating environment

- Slowing global growth and increasing inflation driven by tighter global financial conditions and the effects of the Russia – Ukraine turmoil.
- Southern African countries continue to demonstrate resilience despite increasing macroeconomic challenges including rising food and energy prices.

Products

Payments LetsGo pay
Lending LetsGo borrow
Savings LetsGo save
Insurance LetsGo insure
Lifestyle LetsGo live

LetsGo Digital Mall
APP WEB USSD WHATSAPP

2022

Performance highlights

- Core markets of Botswana, Namibia and Mozambique remained resilient and generated positive ROE of 21%, 13% and 11% respectively.
- Namibia and Mozambique are the primary insurance contributors, with 10% and 96% respective year-on-year income growth.
- Botswana expanded its insurance offering, achieving good traction in embedding an expanded suite of insurance solutions.
- Over 2 500 new Flexi-Save digital accounts were opened in Namibia, and card transaction volumes doubled to 490 000.
- Botswana, Lesotho and Eswatini show the highest transition of customers to digital channels.
- Non-performing loans increased, partly mitigated by credit default insurance in place in Mozambique and Namibia.
- Namibia lead the way with Affordable Housing launch.

2023

LOOKING AHEAD

- In the first half of 2023, appointed a country CEO for Letshego Botswana and Regional Chief Executive for Eswatini and Lesotho.
- Continue to structure products and solutions that meet the needs of customers and support underbanked populations to achieve social and sustainable change in our countries of operation.
- Leverage new strategic partnership to achieve scale.
- Achieve consistency in rolling out LetsGoPay and LetsGoCash.

Governance **report**

Letshego's Board of directors oversees a group of companies operating across 11 African countries. The Board's primary responsibility is to safeguard our brand promise and ensure that the Group creates and preserves value, and guards against value erosion, for current stakeholders and future generations.

The Board, supported by its five standing committees, is the custodian of corporate governance. It is committed to ensuring that sound governance principles and world-class risk management frameworks are fully integrated into all business aspects and transparently reported. The Group governance framework, which applies to all our markets, and Group-wide policies are informed by the principles of ethical trade, transparency, accountability and sustainability. The governance framework is controlled and executed within a structured and formal system and is being enhanced in line with our TOM.

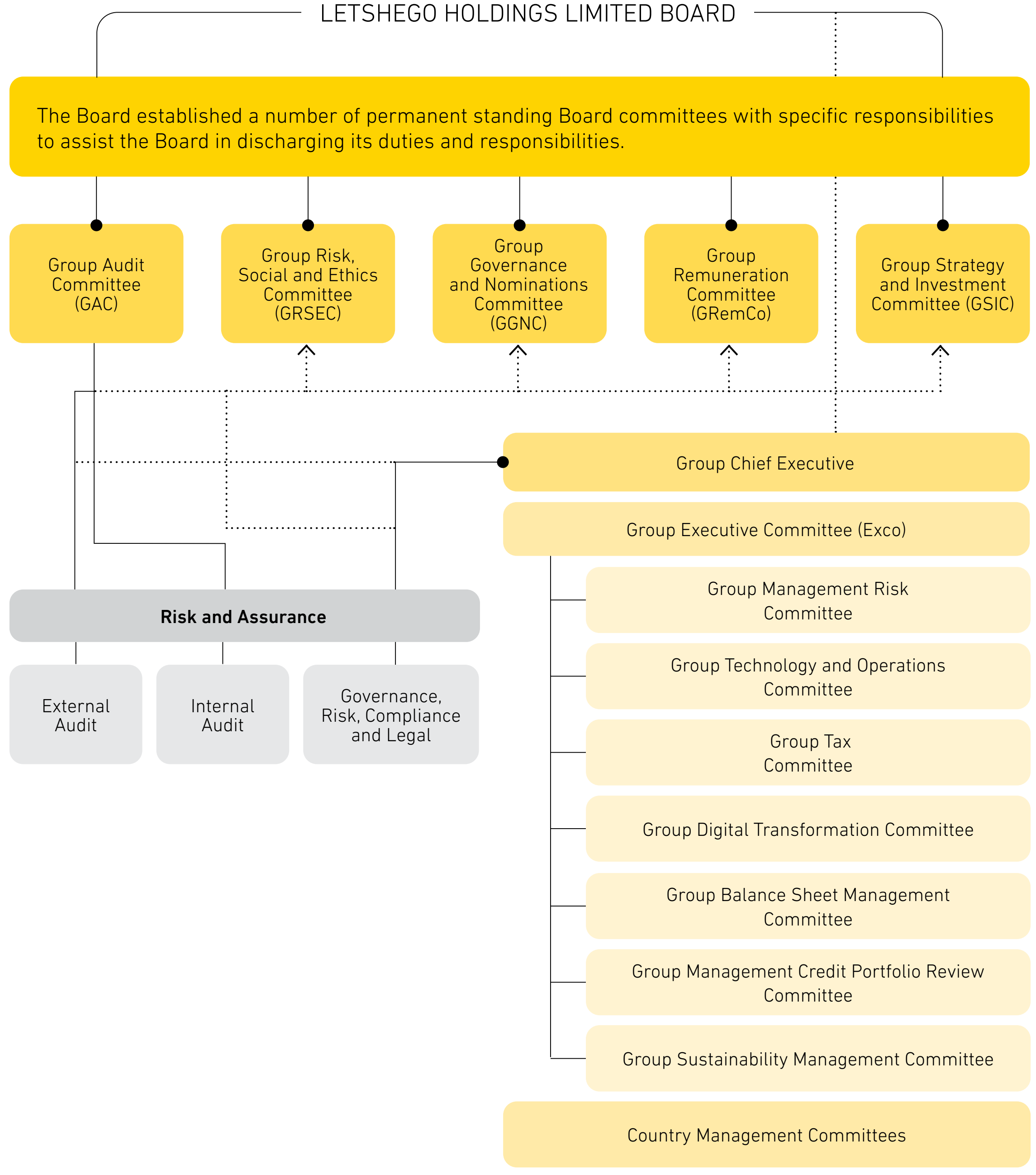
The governance, ethics and business conduct principles and codes of best practice adopted by the Group are the purview of the Governance and Nominations Committee.

Mechanisms that assist the Board to satisfy itself that effective control is maintained include:

- The adoption of King IV; the Board ensures that the Code's recommendations are materially entrenched across its internal controls, policies, terms of reference and overall procedures and processes.
- The Board Charter.
- The Group's governance structure that supports clear delegation of authority while enabling the Board to retain visibility and effective control. The Board delegates authority to its committees, and the Group CEO and CFO, who in turn, mandate the Group's various management committees. The delegation of authority framework clearly defines the responsibilities of the Board and those of management.
- Controls to ensure compliance with applicable laws, regulations and governance practices.

Letshego's governance structure supports the Transformation Strategy, and ensures that the Group complies with all relevant legislation and practices of good corporate governance, acts ethically and balances the interests of our stakeholders. It sets clear authority thresholds for the Board, its committees and the Group's management committees, including the Executive Committee (Exco).

GOVERNANCE STRUCTURE



ETHICAL **CULTURE**

Principle 1	Ethical leadership	Applied
Principle 2	Organisation values, ethics and culture	Applied
Principle 3	Responsible corporate citizenship	Applied

Responsible Board committees: Board, GAC, GGNC and GRSEC

Ethics management

Our leaders are committed to the ethical practices and business conduct principles (reported below) set out by the Board Charter and our governance framework, which go beyond mere compliance. Our values, Code of Conduct and policies clearly articulate our ethical standards and expected business conduct and behaviour.

The **Board** is responsible for ensuring that our Transformation Strategy is delivered with integrity and high ethical standards that engender customer and stakeholder trust. The **Group Risk, Social and Ethics Committee** assists the Board to sustain an ethical corporate culture communicated through clearly articulated ethical standards. It oversees and monitors ethics awareness and the inculcation of our ethics and business conduct principles in the Group's strategies and operations. The **Group Audit Committee** also ensues ethical conduct, particularly the monitoring and oversight of initiatives to mitigate potential fraud-related risk.

The Board Charter embodies the ethical characteristics listed in King IV, the BSE Equity and Debt Listings Requirements and the JSE Debt Listing Requirements.

Our ethics and business conduct principles

- Conducting the Group's business with integrity and accountability and in line with its values.
- Fully complying with all applicable local and international legislation and regulatory requirements.
- Maintaining and fostering an inclusive and empowering culture and working environment.
- Protecting the Group's intellectual property, information and data.
- Protecting and maintaining the best interests of the Group's stakeholders.
- Continuously leveraging innovation and creativity.
- Celebrating success.
- Proactively identifying, managing and mitigating possible, emerging, actual or perceived conflicts or interests.
- Empowering and encouraging our people and stakeholders to report any unlawful conduct.

Conflicts of interest

Members of the Board are held accountable for identifying and being transparent about actual or potential conflicts of interest between their personal interests and the interests of the Group. All actual or potential conflicts of interest must be declared at the first Board meeting held subsequent to becoming aware of the conflict. Directors submit a declaration of interest annually, outlining all their directorships and personal financial interests, including those of their related parties. Where an actual or potential conflict arises, the director concerned is excluded from discussions and any decision-making relating to the conflict.

Whistle blowing

The Group operates a whistle-blowing hotline, which is independently managed by Deloitte.

Employee awareness

Training and awareness programmes ensure that our employees understand our commitment to ethical trade, transparency, accountability and sustainability. Training is provided on our Code of Conduct, the values and behaviours we expect of employees, and their responsibilities in maintaining an ethical culture within the Group. Topics covered include the giving and receiving of gifts, anti-bribery, anti-corruption and anti-money laundering (AML), conflicts of interest, transparent and fair dealings with customers and how to report unethical behaviour and suspected fraud, among others.

Corporate citizenship governance

Letshego strives to make a measurable and sustainable social impact within the markets where we operate. Our innovations are inspired by the societal challenges faced by local communities. A key driver towards being a force for social good is our programmatic lending, which provides solutions that are inclusive and ethical, and support more people to improve their lives and the lives of future generations. Our business activities align with government mandates that encourage the productive use of loans, ultimately increasing income potential, employment levels and sustainable economic development.

The **Board** is ultimately responsible for promoting and monitoring our ESG performance, and is assisted by the **Group Strategy and Investment Committee**. The committee reviews the Group's frameworks, policies and guidelines for safety, health, social investment, community development, environmental management and climate change. It also monitors activities relating to customer relationships, including advertising, public relations, and compliance with consumer protection laws.

Our current ESG management framework includes an ESG policy, the Group's strategic and social investment policy (which focuses on sustainable development and the improvement of lives in communities), ESG risk management, stakeholder engagement and implementation manuals. The Group ESG manual ensures a uniform approach to ESG management. Each subsidiary has its own ESG manual, to drive the implementation of the Group's ESG approach while also allowing flexibility in terms of the country-specific strategy. Subsidiaries are at various stages of ESG implementation. ESG training was delivered to all employees in 2021.

2022

Performance

- The Board is satisfied with the Group's progress in applying the recommendations of King IV.
- Established the Group Sustainability Committee to oversee ESG governance and the ESG framework and its implementation. The committee reports directly to the GRSEC.
- We started operationalising our ESG framework in Ghana, Nigeria and Tanzania, integrating our ESG policies, data, training and processes across these subsidiaries to bolster our governance and reporting framework.
- We implemented a risk-based Group AML compliance programme, which complies with Botswana's AML laws and regulations, and the Financial Action Task Force and Eastern and Southern Africa Anti-Money Laundering Group recommendations as well as all applicable laws and regulations in our other markets of operation. The programme covers risk assessment, policies and procedures, due diligence standards for customers, employees, suppliers and other stakeholders, procedures to identify and report suspicious transactions and AML training, among others.

GROUP STRATEGY AND REPORTING

Principle 4	Strategy, implementation and performance	Applied
Principle 5	Reports and disclosure	Applied

Responsible Board committees: Board, GAC, GSIC and GRSEC

Strategy

The **Board** approves the Group's strategy, and monitors strategic progress and the associated business plans for the Group and its subsidiaries. At the annual strategy session, the Board deliberates the Group's strategy and its alignment with the Group's financial inclusion mandate and long-term sustainability, and considers the risks and opportunities facing the Group, and the progress made in implementing the strategy.

The **Group Strategy and Investment Committee** reviews and recommends to the Board for approval all new strategic investments and material funding initiatives needed to advance the delivery of the Transformation Strategy. This may include start-up operations, mergers and acquisitions, and joint venture partnerships as well as divestments when objectives are not achieved. The committee also provides input on strategy formulation and recommends the strategy to the Board for approval. At management level, **Exco** and the **Group Digital Transformation Committee** drive strategy implementation from approving and prioritising projects to monitoring trends and identifying strategic partnerships.

Reporting and disclosure governance

The **Board, Group Risk, Social and Ethics Committee** and **Group Audit Committee** all have responsibilities to ensure the integrity of the Group's financial and integrated reporting. This includes ensuring that our reporting is transparent and meets the information needs of stakeholders so that they are able to make informed decisions about the Group's prospects. The integrated report is compiled according to applicable reporting frameworks (see page 3) and is approved by the Board. GAC is responsible for oversight of the preparation of accurate financial statements that comply with all applicable legal requirements and accounting standards.

2022

Performance

- The Board remains satisfied that the Group's business model and strategy are appropriate for the current operating context and that the Transformation Strategy will deliver competitive advantage and long-term sustainable shareholder value.
- To support the delivery of the Transformation Strategy:
  - The Board oversaw and monitored the implementation of the Group's key strategic projects.
  - The Board approved a number of key senior manager appointments (see page 78).
  - The GRemCo approved the new employee value proposition.
  - GAC following its review was satisfied with the competency and expertise of the Group's CFO.
  - Reviewed material investment and capital allocation recommendations to support the strategy.
- Reviewed and recommended the 2022 financial statements and integrated reports to the Board for approval.

THE BOARD

Principle 6	Role of the governing body	Applied
Principle 7	Board composition	Applied
Principle 9	Performance evaluation	Applied

Responsible Board committees: Board, GGNC

The Board plays a pivotal role in creating and protecting value. It approves strategy, sets policy, ensures capital prudence, and oversees the Group's governance frameworks and control environment. All members of the Board have a fiduciary duty to represent the best interests of the Group and its key stakeholders.

The Board Charter documents the role, responsibilities and procedural conduct of the Board. It aligns with King IV and relevant statutory and regulatory requirements, and covers corporate governance, trading by directors in the securities of the Group, declaration of personal interests and potential conflicts of interest, alternative dispute resolution and business continuity procedures, among others. The Board Charter is reviewed annually.

Subsidiary Boards oversee strategy implementation within each of our markets. The role, responsibilities and procedural conduct of these Boards is set out in the corporate governance framework for subsidiary Boards, which aligns to the Group governance framework and is at various stages of implementation.

Subsidiary Boards ensure that country management maintains effective and efficient operations and internal controls, and complies with laws and regulations. A key focus for the Group is to align the composition of the subsidiary Boards to the requirements of the principles of King IV.

Board composition

The Group's non-executive directors are individuals of a high calibre and credibility who significantly contribute to the Board's deliberations and decisions. The Board comprises a mix of skills, knowledge and expertise appropriate for the nature and strategic demands of the Group. The diversity of the Board supports different perspectives when strategic decisions are made.

The Chairman sets the ethical tone for the Board and is responsible for ensuring that the Board operates with a collective mind, and in an efficient and effective manner. Philip Odera is an independent, non-executive Chairman. The role of Chairman is separate from that of the Group CEO.

The **Board**, assisted by the **Group Governance and Nominations Committee**, regularly reviews its composition to ensure it is appropriate for the strategy, supports the effective execution of the Board's responsibilities and aligns with the requirements of King IV. When gaps in knowledge or skills are identified and/or new appointments are made, directors are provided with development training. Development training is provided on matters such as the Group's risks, applicable laws, accounting standards and policies, and the Group's operating environment.

Director independence is reviewed annually, including the independence of the Chairman. Directors who have served for three consecutive years, or have been Board members the longest, must stand for re-election at the annual general meeting (AGM). The maximum term for non-executive directors is nine years and retirement age is 70.

Appointment process

The director appointment process and criteria for assessing the appropriateness of potential candidates are documented in the Board Charter and the Directors Recruitment and Induction Guidelines and Identification, Appointment and Re-appointment of Directors Framework. Shareholders vote on the appointment of all non-executive directors at the AGMs, either by ratifying appointments made by the Board or voting on the re-election of directors who retire by rotation. Full disclosure on the appointed directors is provided to shareholders to assist their assessments.

The GGNC ensures that the appointment process is transparent. In addition to a candidate's experience, knowledge, skills, availability and likely fit, the committee also considers the candidate's integrity, and ability to dedicate sufficient time to the Board in terms of their other directorships and commitments. The committee seeks to balance experience and institutional memory with fresh insight.

Induction

Our induction programme provides new directors with information on their fiduciary duties and responsibilities, and the business and workings of the Group. Appointment letters clearly explain what is expected of Board members in terms of time commitments, committee service and involvement outside Board meetings.

Access to information and professional advice

The Board has unrestricted access to Group information and is able to get advice from alternative sources if needed. Board and committee meeting papers are circulated timeously ahead of scheduled meetings so that directors are able to adequately prepare and discharge their duties.

Performance evaluation

In 2021, a Board performance evaluation was facilitated by the Institute of Directors in Southern Africa, an independent governance facilitator. The Board achieved a strong overall score, and actions were taken to achieve improvements.

Formal independent performance evaluations take place every two years with self-assessments in the interim years. The self-assessment process provides open and constructive two-way feedback between the Chairman and Board members on the performance of the Board and its committees across various governance areas. Action plans are then implemented to address areas of improvement.

The formalisation of appraisal and self-assessment processes for subsidiary Boards is underway. The Group Board carried out a performance evaluation exercise of individual Board members in 2021. Subsidiary Boards have yet to perform an evaluation exercise for individual Board members' performance.

Company Secretary

The Company Secretary plays a key role in the Group's management of corporate governance, and reports to the Board Chairman on all statutory duties and functions pertaining to the Board.

The Company Secretary's primary responsibilities are to:

- Facilitate Board administration.
- Ensure the Board and its committees comply with statutory procedures and their respective Charters, and that Board and committee procedures are adhered to and regularly reviewed.
- Guide the Board on the proper discharge of its responsibilities.
- Keep the Board updated on developments regarding best practice corporate governance.
- Ensure that Board and committee meetings are effectively conducted, including appropriate input to the meetings and follow-up and feedback to the Board when queries are raised.
- Ensure that the Group complies with the governance aspects of applicable laws and regulatory frameworks, including the BSE and JSE Debt listing requirements.
- Ensure that the correct procedures are followed when appointing new directors, including their induction.

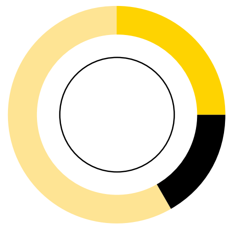
Ms Gorata Tlhale Dibotelo has been appointed as Head of Group Legal, Governance and Group Company Secretary, taking over from Interim Company Secretary Lebogang Rathedi. The Board is satisfied with Ms Dibotelo's work experience, performance, technical skills and overall competence as Company Secretary.

2022

Performance

- The skills of the Board were strengthened with the appointment of four new directors: Mr. Jayaraman Ramesh, Mr. Christopher Mokgware, Mr. Ketlhalefile Motshegwa and Professor Emmanuel Botlhale.
- Mr Phillip Odera was appointed as the Group Board Chairman on 22 June 2022.
- The Board met eight times during the year; four quarterly meetings, the annual strategy review meeting and separate meetings to review and approve final year-end audited financial statements.
- Three board members resigned during 2022 and four new board members were appointed.

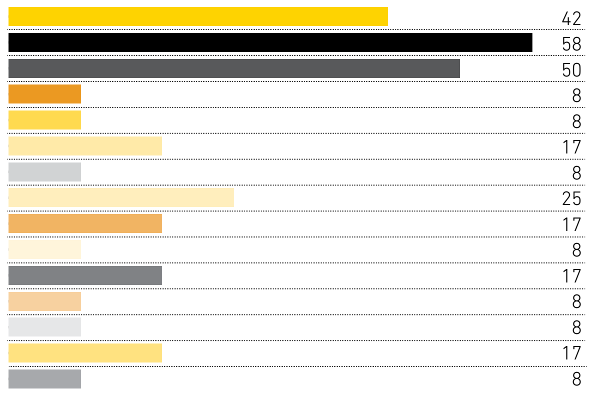
Independence



Non-Executive Directors 3
Executive Directors 2
Independent Non-Executive Directors 7

The Board is sufficiently independent to support diverse thinking and opinions. The Board Chairman, Mr Philip Odera, is independent and free from any conflicts of interest.

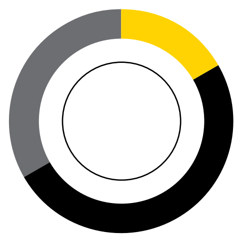
Skills (%)



Banking/IMF knowledge
Finance/Accounting Audit
C-suite experience
Legal & regulatory
Risk management & controls
Government/Public sector
Stakeholder relations
Strategic planning
Technology/Operations
Corporate Governance
Credit
Industrial Relations
Economics
Insurance
Public Administration/Finance

The Board has the appropriate skills needed to oversee the delivery of the Group's Transformation Strategy and to navigate the Group's operating environment.

Age



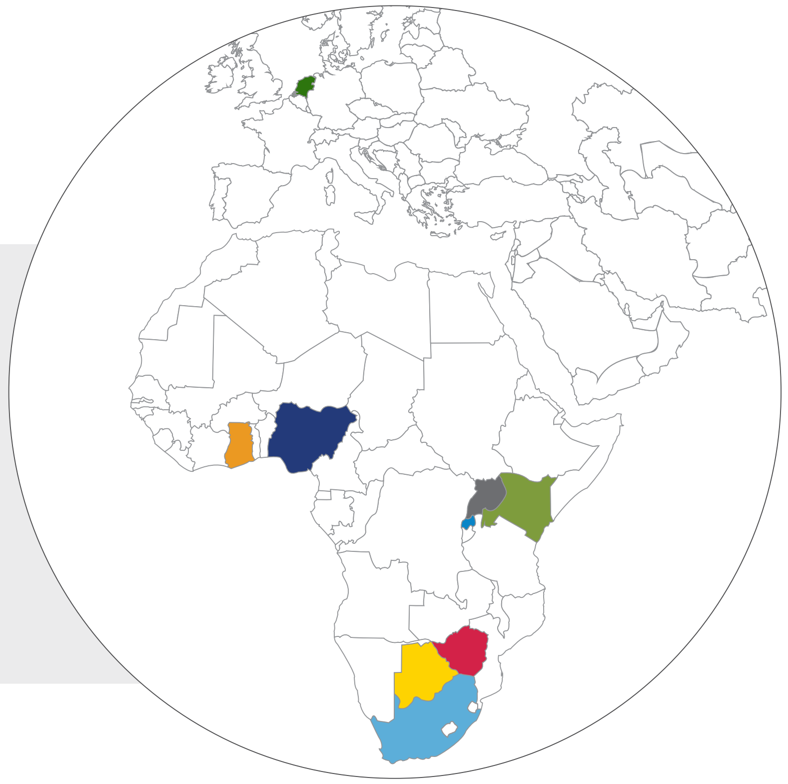
30 – 45 years 2
46 – 55 years 6
Over 56 years 4

The average age of the Board is 54. Board succession plans are adequate, including the interim measures should an unforeseen loss of expertise take place.

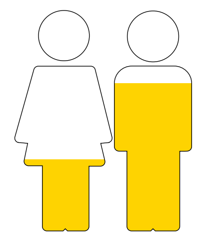
Diversity

Nationalities:

6 Botswana
1 Netherlands
2 Kenya
1 Nigeria
1 South Africa
1 Zimbabwe

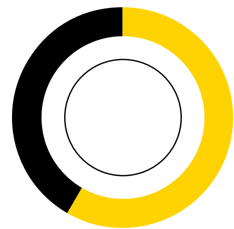


Gender



The requirements of the Board Charter and the Directors' Induction Guidelines in terms of Board appointments were met.

Tenure and age



0 – 3 years: 7
>3 years: 5

The average tenure is three years.

Board meeting attendance

Director	Board Meeting	GAC	GRSEC	GRemCo	GGNC	GSIC*	Ad-hoc meetings**
P Odera	8/8	4/4	–	–	4/4	2/2	19/19
A Odubola	8/8	7/7	4/4	6/6	–	–	11/11
R Mwaura	8/8	7/7	4/4	1/1	1/1	4/4	19/19
R Hoekman	8/8	2/2	4/4	3/3	2/2	4/4	11/11
C Lesetedi	8/8	–	–	5/6	4/4	–	1/1
G van Heerde	8/8	–	4/4	–	–	4/4	1/1
C Mokgware	3/3	2/2	–	1/1	1/1	2/2	–
J Ramesh	3/3	2/2	1/1	1/1	–	2/2	–
Prof E Botlhale	3/3	1/1	2/2	1/1	2/2	–	–
K Motshegwa	3/3	–	1/1	2/2	2/2	–	–
A Monyatsi (GCEO)	5/5	4/4	3/3	3/3	3/3	3/3	–
G Muteiwa (GCFO)	8/8	7/7	4/4	–	–	4/4	–
E Banda (Chairman)	4/4	–	–	–	2/2	–	5/5
S Price	3/4	3/4	1/2	–	–	1/2	19/19
H Karuhanga	4/4	3/4	–	3/3	–	2/2	2/2
G Somolekae	4/4	4/4	–	3/3	2/2	–	11/11
R Alam	2/2	–	1/1	1/1	–	–	–

* *Includes approval of strategy.*

** *Includes Independent Board and Independent Board sub-committee meetings.*

COMMITTEES OF THE **GOVERNING BODY**

Principle 8	Committees of the governing body	Applied
Principle 9	Performance evaluation	Applied

OVERVIEW

The Board's committees have specific areas of responsibility to assist the Board in discharging its duties and responsibilities. The Board considers the information, opinions, recommendations, reports and statements of each committee at its quarterly meetings.

Each committee is chaired by an independent non-executive director. Committee Charters are approved by the Board and reviewed annually. Any changes to Charters must also be approved by the Board. When joining a Board committee, new members are provided with information on the committee's responsibilities and the specific practices and procedures that pertain to its oversight of Group functions and activities.

Group Audit Committee

Quorum	Members	Key areas of responsibility
Minimum of three members (majority = quorum) **Frequency** Meets at least four times a year	**Independent non-executive directors** ▶ R Mwaura (Chairperson) ▶ A Odubola ▶ J Ramesh ▶ C Mokgware ▶ Prof E Botlhale **Independent attendees** ▶ External auditor engagement partner **Management attendees** ▶ Group CEO ▶ Group CFO ▶ Group Chief Internal Auditor **permanent invitees** ▶ Other Exco members	▶ Safeguards assets and ensures the operation of adequate systems and control processes. ▶ Oversees the Group's reporting and disclosure, and reviews the Group's accounting policies. ▶ Oversees the Group's corporate accountability, such as ethical conduct and tax compliance, among others, and the management of associated risks, including the risk of fraud. ▶ Oversees the Group's combined assurance approach. ▶ Annually assesses the adequacy and skills of the Group's internal audit, financial and reporting functions. ▶ Assists the GGNC with succession and rotation plans for the GAC members.

Group Risk, Social and Ethics Committee

Quorum	Members	Key areas of responsibility
Minimum of three members (majority = quorum) **Frequency** Meets at least four times a year	**Independent non-executive directors** ▶ A Odubola (Chairman) ▶ R Hoekman ▶ R Mwaura ▶ Prof E Botlhale **Non-executive directors** ▶ G van Heerde **Management attendees** ▶ Group CEO ▶ Group CFO ▶ Group Chief Risk Officer **Permanent invitees** ▶ Other Exco members	▶ Formulates the Group's risk profile and risk appetite. ▶ Oversees the Group's enterprise risk management framework (ERMF) and monitors the Group's principal risks against the agreed risk appetite and controls. ▶ Approves the nature, role, responsibility and authority of the risk management function and its scope of work. ▶ Monitors external developments relating to corporate accountability and any associated risks, including emerging risks and their prospective impacts. ▶ Oversees the management of organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships, including the Group's social and environmental frameworks, policies and guidelines. ▶ Assists the GGNC with succession and rotation plans for GRSEC members. ▶ Considers succession plans for the Group Chief Risk Officer.

Group Governance and Nominations Committee

Quorum	Members	Key areas of responsibility
Minimum of three members (majority = quorum) **Frequency** Meets at least four times a year	**Independent non-executive directors** ▶ P Odera (Chairman) ▶ C Mokgware ▶ Prof E Botlhale **Non-executive directors** ▶ C Lesetedi ▶ K Motshegwa **Management attendees** ▶ Group CEO	▶ Determines the principles of governance, social ethics and codes of best practice for adoption by the Board and the Group. ▶ Manages director appointments, retirements and re-elections as well as the induction of new directors. ▶ Oversees succession planning for the Board Chairman and Group CEO. ▶ Facilitates the performance evaluation of the Board and its committees, and oversees the action plans to achieve improvements. ▶ Oversees the performance evaluation of individual Board members. ▶ Oversees the education of directors. ▶ Conducts the annual directors' independence assessment.

Group Remuneration Committee

Quorum	Members	Key areas of responsibility
Minimum of three members (majority = quorum) **Frequency** Meets at least twice a year	**Independent non-executive directors** ▶ J Ramesh (Chairman) ▶ R Hoekman ▶ A Odubola **Non-executive directors** ▶ C Lesetedi ▶ K Motshegwa **Management attendees** ▶ Group CEO ▶ Group Chief People & Culture Officer	▶ Reviews the Group's remuneration policy and framework. ▶ Ensures that the remuneration of all employees is fair and market related for key roles. ▶ Ensures that remuneration is linked to the Group's strategic and financial performance. ▶ Oversees the policies that relate to the appointment, succession planning and professional development of executive directors and senior managers. ▶ Establishes performance targets for the Group's incentive scheme. ▶ Recommends non-executive directors' fees. ▶ Oversees the management of people-related risk, including the policies and frameworks to manage the workforce. ▶ Oversees talent management. *Governance of remuneration: Page 109.*

Group Strategy and Investment Committee

Quorum	Members	Key areas of responsibility
Minimum of three members (majority = quorum) **Frequency** Meets at least once a year	**Independent non-executive directors** ▶ R Hoekman (Chairman) ▶ R Mwaura ▶ J Ramesh ▶ C Mokgware **Non-executive directors** ▶ G van Heerde **Management attendees** ▶ Group CEO ▶ Group CFO ▶ Group Chief Operating Officer ▶ Group Chief Product Officer	▶ Oversees all new strategic investments and major funding initiatives as well as funding mechanisms to support the Group's strategy. ▶ Participates in investment and funding negotiations, when appropriate. ▶ Manages the Group's investment policies and guidelines. ▶ Participates in the development of the Group's strategy and recommends it to the Board for approval. ▶ Assesses restructuring plans, and recommends these plans to the Board for approval. ▶ Monitors and reviews the annual business plan, budget and capital structure of the Group.

DELEGATION TO **MANAGEMENT**

Principle 10 | Delegation to management | Applied

OVERVIEW

The Board delegates the implementation of the Group's strategy and the individual country strategies as well as the running of day-to-day activities to the Group CEO and Exco. Various management committees address specific business imperatives. Exco and the management committees report to the Board and its committees. This provides an appropriate flow of information and progress reports from mandated management teams to the relevant oversight Board committees. The Board constructively challenges management holding it to account for the Group's progress.

The Board appoints the Group CEO, who serves as the link between management and the Board. The Group CEO is accountable to the Board and delivers regular reports to the Board on strategic progress.

Group Executive Committee

Quorum	Members	Key areas of responsibility
Majority Exco members **Frequency** Weekly	**Members** ▶ Group CEO (Chairman) ▶ Exco members	▶ Provides unified leadership on delivering the Transformation Strategy and addressing business challenges. ▶ Drives strategy implementation and sets the budgets for the Transformation Strategy and country and business strategies. ▶ Ensures that significant risks are appropriately managed and that the Board is kept updated on these risks as well as emerging risks. ▶ Monitors the external environments of each market in which the Group operates. ▶ Promotes a culture that is ethical and customer centric and that drives innovation, high performance and stakeholder engagement. ▶ Ensures the Group's commitment to the workforce is appropriate. ▶ Ensures exemplary governance and effective cost control.

Group Management Risk Committee

Quorum	Members	Key areas of responsibility
Majority of committee members **Frequency** Quarterly	**Members** ▶ Group CEO (Chairman) ▶ Selected Exco members **By invitation** ▶ Risk owners and other specialists	▶ Promotes a culture of risk management discipline, anticipation and compliance. ▶ Reviews models and approaches to inform the Group's risk appetite and the risk appetite for each market, for approval by Exco and the Board. ▶ Oversees the implementation of all elements of the Group's ERMF. ▶ Monitors compliance with the Group and country risk appetites. ▶ Manages and takes action to mitigate all primary risks facing the Group. ▶ Reviews significant risk events and ensures that the control environment is adequate to prevent recurrence.

Group Technology And Operations Committee

Quorum	Members	Key areas of responsibility
Majority of committee members **Frequency** Monthly	▶ Group Chief Operating Officer (Chairman) ▶ Selected Exco members	▶ Delivery of updates and changes to the technology platform. ▶ Delivery of automated processes and process enhancements without interrupting business continuity. ▶ Timely delivery of technical and operational projects (managing risks, resources and prioritisation).

Group Tax Committee

Quorum	Members	Key areas of responsibility
Majority of committee members **Frequency** Quarterly	▶ Group CFO (Chairman) ▶ Selected Exco members	▶ Assists the GAC in managing and overseeing the Group's tax governance structures and policies. ▶ Promotes a tax-conscious culture. ▶ Manages the activities to mitigate tax risks across all jurisdictions. ▶ Proactively engages with stakeholders and local authorities on tax matters.

Group Digital Transformation Committee

Quorum	Members	Key areas of responsibility
Four committee members, including the Chairman or alternative Chairman **Frequency** At least annually	▶ Group CEO (Chairman) ▶ Group Chief Operations Officer (alternate Chairman) ▶ Group Chief Product Officer ▶ Head of Group Innovation ▶ Group Chief Risk Officer ▶ Head of Group Transformation	▶ Prioritises the strategic agenda, streamlining and fast tracking innovative digital solutions. ▶ Provides guidance on strategic partnership opportunities that support ecosystem development, technology advancement and access. ▶ Approves innovation initiatives and projects from concept to implementation. ▶ Provides guidance and prioritisation on all pipeline initiatives. ▶ Keeps up to date with global trends and developments. ▶ Approves funding requests for initiatives and projects.

Group Balance Sheet Management Committee

Quorum	Members	Key areas of responsibility
Majority of committee members **Frequency** Monthly	**Members** ▶ Group CFO (Chairman) ▶ Selected Exco members **Permanent invitee** ▶ Group Chief Internal Auditor	▶ Ensures that the Group's and subsidiaries' balance sheet management is optimised (liquidity and capital risks). ▶ Defines liquidity and other asset and liability management limits. ▶ Ensures compliance with all internal and regulatory liquidity and capital guidelines. ▶ Approves foreign currency risk mitigation and planning initiatives.

Group Management Credit Portfolio Review Committee

Quorum	Members	Key areas of responsibility
Four members, including the Chairman or alternative Chairman. Country heads of risk and business must be represented. **Frequency** Monthly	**Members** ▶ Group Chief Risk Officer (Chairman) ▶ 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, where appropriate	▶ Oversees credit risk management and underwriting processes and ensures they are in line with the Group's credit risk management framework. ▶ Agrees key credit risk decisions and strategies to improve portfolio quality. ▶ Oversees the collections and recoveries processes to ensure they are effective and meet set targets and budgets. ▶ Escalates all material variations within lending portfolios (Group and country) as well as deviations from the Group's credit risk management framework. ▶ Ensures that businesses operate within the set mandates of all governance structures (e.g. loan limits and other operating limitations imposed). ▶ Oversees all agreed deep dives and portfolio investigations. ▶ Ensures that terms of references are in place for local Portfolio Review Committees.

Group Sustainability Management Committee[1]

Quorum	Members	Key areas of responsibility
Majority of committee members **Frequency** Quarterly	▶ Group Chief Risk Officer (Chairman) ▶ Representatives from all functions	▶ Drives the ESG framework and its implementation across the Group's footprint. ▶ Monitors and reports on ESG data across the Group. ▶ Monitors ESG performance against the Group's adopted principles, targets, and development finance institutions (DFIs) funding and ESG covenants. ▶ Monitors ESG returns. ▶ Participates in thought leadership opportunities, memberships and forums.

Country Management Committees

Quorum	Members	Key areas of responsibility
Majority of committee members **Frequency** Monthly	▶ Country CEOs ▶ Country management team	▶ Promote the Group's desired culture. ▶ Provide unified leadership on key strategic and other business initiatives within the country operations. ▶ Drive the implementation of country business strategies within budget. ▶ Timely reporting of any significant risks or issues in-country. ▶ Monitor external developments in their respective markets and the associated risks. ▶ Promote and implement an effective risk management framework in their respective operations aligned to the Group's framework. ▶ Ensure that their respective operations operate according to the highest standards of regulatory compliance and best practice. ▶ Approve all new products and service offerings for approval by Exco.

[1] *Committee constituted in Q3 2022, with inaugural meeting in 2023.*

RISK AND **OPPORTUNITY**

Principle 11 Risk and opportunity governance — Applied

Responsible Board committees: Board, GRESC.

All Board committees oversee the risks pertaining to their specific responsibilities.

OVERVIEW

Risks are governed and managed using an extensive multi-layered and integrated structure, with the Board being ultimately responsible for the governance of risk. Our ERMF promotes a sound risk culture and risk visibility, ensuring that risks are adequately identified, measured, monitored, and managed. Informed by our Agile Ways of Work programme, our risk management approach can be quickly adapted to respond to changing risks encountered as we execute our strategy.

The **Group Risk, Social and Ethics Committee** is responsible for developing an ERMF that supports strategic delivery, including the principles, policies, systems, processes and training needed to ensure effective risk governance. If required, the committee can establish additional committees to manage risk. It also formulates the Group's risk profile and appetite. The Board approves the risk appetite, and ERMF and the primary policies that support it. The Board and the committee are responsible for ensuring the effective implementation and management of the ERMF.

The Group's management teams are responsible for identifying key risks. The GRSEC makes sure that the processes to identify key risks are appropriate across our operations, and it assesses the integrity of our risk control systems. Both the Board and the GRSEC review the key risks that impact or may impact the achievement of our strategic imperatives and/or our business model, and the strategies and systems in place to mitigate their impact and protect the Group from financial loss. Our key risks include operational (people, supplier and product risks), strategic (market, digital and data risks), compliance (regulatory and legal risks), and financial (capital, credit and treasury risks).

The **Executive Committee** approves the models and approach to determine risk appetite, and monitors the operating environment, including within the regional operations, to identify emerging risks and ensures appropriate actions are taken to mitigate the risks. The **Group Management Risk Committee** implements the ERMF, proactively manages the Group's key risks and ensures compliance with the Group's risk appetite and that remedial action is taken to prevent recurrence of any risk event. It also ensures that the subsidiary risk management frameworks are effective, align to the Group ERMF, comply with regulation and adequately identify, assess, monitor, control and report regional risks. The risk appetite framework communicates our risk profile and helps subsidiaries manage risks within the approved risk appetite. Country CEOs and their Country Management Committees are responsible for effectively implementing their risk management frameworks in their respective operations. We regularly review and assess the maturity of risk management processes in the subsidiaries and deliver awareness, knowledge and capacity building initiatives when required.

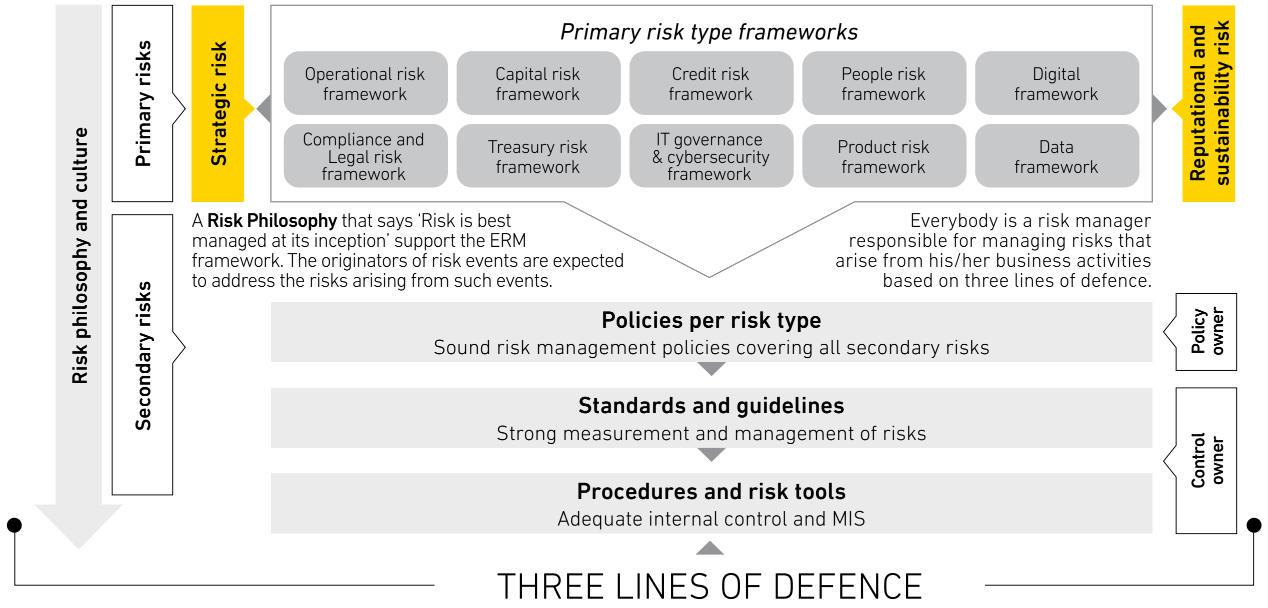
Our risks are divided into two categories; Level 1 are regulatory, governance and legal-related risks where the Board approves the policies to manage these risks. Level 2 risks are operational in nature and Exco takes responsibility for these policies. Each key risk category has both qualitative and quantitative risk appetite and tolerance levels managed through policies, standards and procedures.

2022

Performance

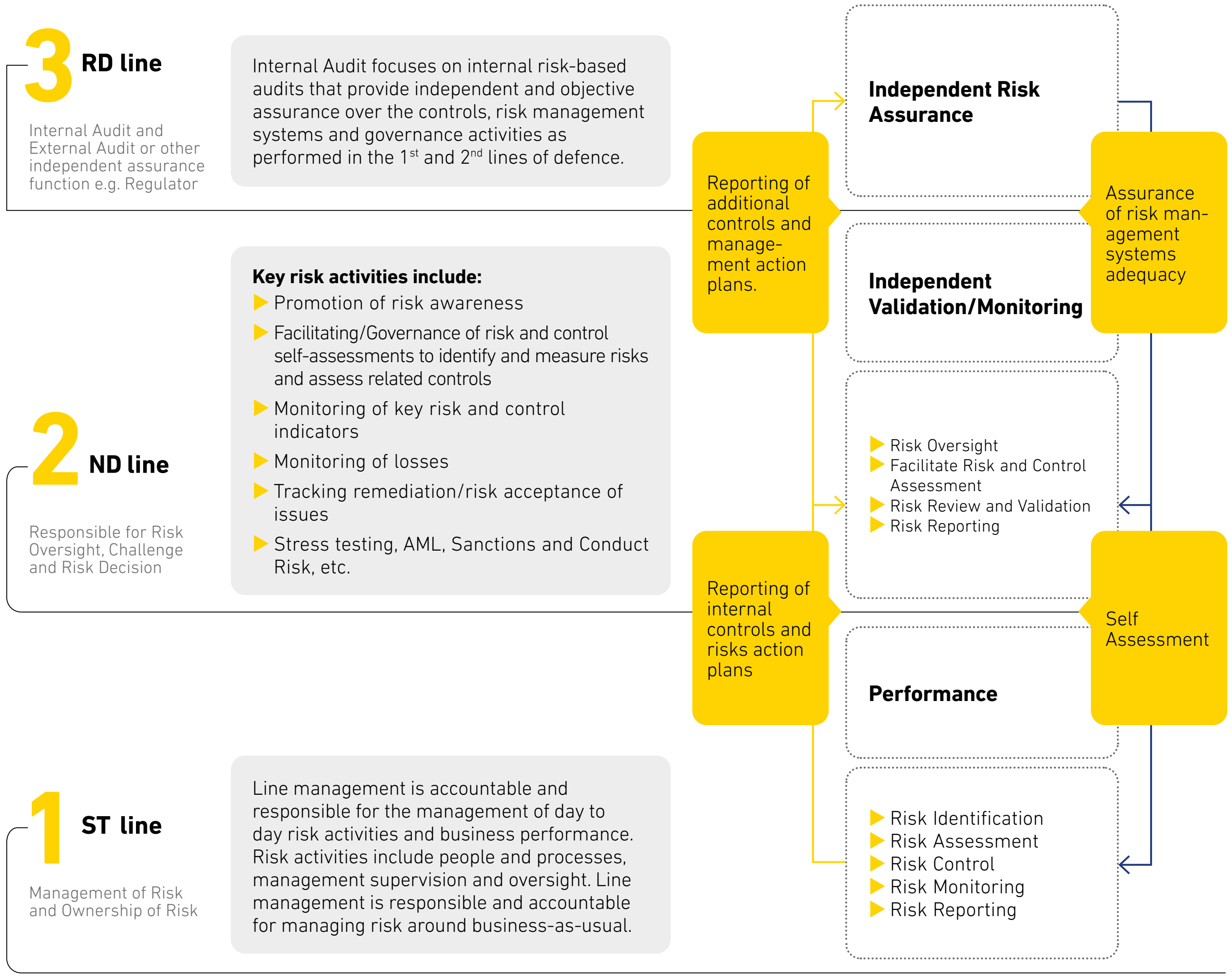
- Reviewed the ERM framework as part of the biennial review process for board approval in early 2023.
- Implemented the Group and subsidiary risk organisation design.
- Continued to assess the acquisition of an ERM system to automate core risk processes.
- Paid particular attention to the Group's liquidity, credit and cybersecurity controls, as well as other key areas of focus, given the external operating environment.
- Completed the revalidation of prudential standards for credit.
- Developed a risk culture assessment methodology, including the refreshed ERMF.
- Developed and approved the Group Code of Conduct.
- Continued deployment of enhanced risk and compliance infrastructure, including collection automation, credit scoring systems and tools.
- Developed and implemented a learning and development programme for Group Risk.

Enterprise risk management framework



Three lines of defence

The effectiveness of the Group's ERMF is underpinned by our three lines of defence model. The model clearly divides risk management responsibilities between the risk owners (line management), the control functions (risk and compliance management functions) and the internal audit function. The model helps the Group address all identified risks, design and implement control activities, and ensure that risks are taken within the approved risk appetite.



TECHNOLOGY AND **INFORMATION**

Principle 12 | Technology and information governance | Applied

Responsible Board committees: Board, GAC, GRSEC

OVERVIEW

The Group's operations and sustainability are critically dependent on I&T, particularly the delivery of innovative products that enhance our competitive advantage. As we advance our digital transformation, the governance of information security has also become key.

Both the I&T governance framework and ERMF cover the management of all significant I&T risks as well as disaster management, cybersecurity, I&T policies, legal risks and compliance with laws, rules, codes and standards. Both a digital framework policy and a data framework policy are in place. At subsidiary level, country managers are responsible for the effective implementation of their respective business continuity and disaster management plans.

Our I&T framework ensures that best practices are implemented, I&T performance is robustly monitored and measured, I&T costs are optimised and I&T resources efficiently used.

2022

Performance

- Reviewed and adjusted current data protection practices to align with new regulations being introduced across Africa to ensure full compliance.
- Implemented enhancements to ensure compliance with directives issued by financial regulators, while continuing to provide quality services.
- Continued to operate responsibly with the regulatory framework, with emphasis on data protection and compliance.
- Approved strategy to obtain the ISO 27001 certification to enhance regulatory compliance while simultaneously striving to streamline efforts and processes by implementing a unified approach.

COMPLIANCE

Principle 13 | Compliance governance | Applied

Responsible Board committees: Board, GAC, GRSEC

OVERVIEW

Regulators and other governmental bodies perform a number of activities, including requests for information, audits, investigations, legal and other proceedings to determine our compliance with consumer protection measures and other legislation and regulations relating to our trading and business activities. Over the past two years, a number of jurisdictions have passed new laws relating to anti-money laundering, cybercrime and the protection of personal information.

The decisions and actions taken by the Board ensure that the Group fully complies with all applicable laws, regulations and governance practices when executing the strategy. GAC, GRSEC and, at management level, the Group Management Risk Committee assist the Board in this responsibility.

As a key risk, compliance is a standing agenda item of GRSEC. The Board is kept abreast of any upcoming new legislation or regulatory changes and their impact on the Group and/or its subsidiaries, and the controls being implemented to ensure compliance.

Tax governance

The Group undertakes legitimate and responsible tax planning in all countries of operation. We do not use artificial or abnormal tax structures intended to avoid tax. Our objective is to generate enough taxable income to absorb a greater portion of our accumulated tax losses and unclaimable withholding tax credits to reduce our effective tax rate to optimal levels.

The Group Tax Committee is responsible for the achievement of the Group's tax strategy, promotes an ethos of tax compliance, manages tax risks and acts as a trusted advisor to the Group's businesses. It manages tax policy and other tax-related governance tasks. The committee reports directly to GAC.

Our approach to tax is underpinned by a commitment to complying with tax laws in a responsible manner, and having open and constructive relationships with tax authorities, governments and fiscal authorities.

Effective tax rate: Page 70.

2022

Performance

- Appointed a Group Head of AML and AML compliance officers at subsidiary level, responsible for coordinating and monitoring day-to-day compliance with our new AML programme.
- Continued deployment of digital tools to support the management and mitigation of AML risks.
- Developed and approved the Group Code of Conduct.
- Developed and implemented a fully digitised, Group-wide compliance training curriculum covering the fundamentals of compliance and the Group Code of Conduct.
- Rolled out an updated Group Tax policy to countries for customisation.
- Additional training provided to Botswana, Faidika and LBT country tax teams.
- Enhanced the documentation of the processes to support bad debt write-offs.

REMUNERATION

Principle 14 | Remuneration governance | Applied

Responsible Board committees: Board, GRemCo

OVERVIEW

The Board, with Group Remco's assistance, ensures that our employees are remunerated fairly, responsibly, transparently and in line with industry standards. Remuneration is governed by a Group-wide remuneration policy and framework.

We use independent surveys and consultants to ensure that our remuneration is market-related and establish remuneration credibility with our shareholders. We provide performance-based short- and long-term incentives to attract, incentivise and retain top talent.

Executive directors, senior leaders and management are appraised relative to predetermined strategic objectives and the achievement of specific Group performance targets that the Board approves annually. The Remco Chairman reports to the Board after each meeting.

2022

Performance

- The Board is satisfied that the Group's remuneration policy supports the achievement of its strategic objectives.
- An Extraordinary General Meeting of shareholders was held in October 2022 to approve the remuneration of non-executive directors, given that shareholders had not approved the proposed fees at the AGM due to concern around the retainer fees paid in 2015 to 2017. Remuneration was aligned with market practice, effectively a 36% year-on-year reduction in fees.
- New fees were applied from Q2 2022 onward, following the Extraordinary General Meeting.

Remuneration report: Page 113.

ASSURANCE

Principle 15 Assurance — Applied

Responsible Board committees: Board, GAC

OVERVIEW

Combined assurance is a collaborative approach between the second and third lines of defence. It ensures that the Group's assurance processes are coordinated, gaps are prevented and the duplication of assurance effort is avoided. Combined assurance assures the Board that adequate controls are in place to address the Group's significant risks.

GAC ensures that the roles and functions of external and internal audit are clear, coordinated and appropriate to address the significant risks facing the Group and support the integrity of the Group's reporting. It approves the internal and external audit plans for the year and oversees the testing of internal controls. Where material weaknesses are found, GAC monitors remedial action. The internal and external auditors have unlimited access to GAC.

The Combined Risk Assurance Forum is a working group that meets weekly to discuss current and emerging risks, review and challenge control testing outcomes and escalate material risks to the Group Management Risk Committee.

Internal audit function

Group Internal Audit reports directly to the GAC, providing independent, risk-based and objective assurance and advice to the Board committee and management aligned with the standards of the Institute of Internal Auditors and the Group's audit methodology. Reports to the GAC cover audit results, and progress made against the audit plan and towards closing internal, external and regulatory audit findings. The Group Chief Internal Auditor has a functional reporting line to the GAC and administratively reports to the Group CEO.

External auditors

Following an evaluation of performance and independence, the GAC recommends the appointment, reappointment or removal of the external auditor/s to the Board. The appointment of external auditors is approved by shareholders at the AGM. Engagement partners are rotated at least every five years (or such other frequency deemed to be appropriate) to enhance actual and perceived independence.

2022

Performance

- Key focus areas for 2022 included credit risk, liquidity risk, operational risk, compliance risk, IT and cybersecurity and strategic risk.
- Conducted a risk assessment at the start of the year to inform the audit plan, which was approved by the country Boards and GAC.
- Implemented agile auditing process which enables Internal Assurance teams to accommodate emerging risks and better supports timely communication of insights and transparency.
- Ernst & Young have independently audited the 2022 annual financial statements. The unqualified audit opinion can be found on in the Annual Financial Statements online.

STAKEHOLDER ENGAGEMENT

Principle 16 Stakeholder engagement — Applied

Responsible Board committees: Board, GRSEC

OVERVIEW

Our key stakeholders are defined as those groups who are affected by our business, who could potentially influence how we conduct our business, and who have an interest in our activities and how these are performed. GRSEC oversees the implementation of the Group's stakeholder management policy.

Our stakeholder engagement framework is managed by our Group and Country leadership teams. The Group CEO provides an update on material feedback from our key stakeholder groups at each Board meeting, including from investment analysts, institutional investors and regulatory authorities, customers and strategic partners. The frequency and means of engagement varies per stakeholder group. To support continuous improvement we ensure that our channels of communication invite feedback and open dialogue.

The Company Secretary and the Head of Group Investor Relations act as primary points of contact for institutional investors, other shareholders and all stakeholders. The Board encourages proactive engagement with shareholders; the Chairmen of each Board committee attends the AGM as well as the designated external audit partner to respond to shareholder queries.

2022

Performance

- Read more about our key relationships on page 12.

PART 8

REMUNERATION

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 2022 financial year is set out below:

Old structure

- 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 P955 000.
- Annual retainer – Directors P360 000.

New structure

- Board Chairman – all inclusive fixed fee of P950 000.
- Director (annual retainer) – P240 000.
- Director (main Board) – P27 285 per sitting.
- Committee member – P20 000 sitting.
- Ac hoc meetings – P2 000 per hour, capped at P10 000 per meeting

In the EGM held in October 2022, shareholders approved a new remuneration structure for board directors. The new directors remuneration structure has been applied from Q3 2022, following the EGM.

Director	Board Meeting	Independent Board meeting	Board Retainer	GAC	GRSEC	GRemCo	GGNC	GSIC	Total
Enos Banda	116 000	217 000	710 455	–	–	–	30 000	–	**1 073 455**
Runa Alam/ DPI	54 570	–	90 000	–	15 000	15 000	–	–	**174 570**
Gerrit Van Heerde/ Sanlam	167 050	27 285	360 000		70 000	–	–	70 000	**694 335**
Catherine Lesetedi/ BIHL	167 050	27 285	360 000		–	80 000	70 000	–	**704 335**
Stephen Price/ FSI	81 855	336 425	180 000	45 000	15 000	–	–	15 000	**673 280**
Hannington Karuhanga	81 855	39 570	360 000	45 000	–	40 000	–	30 000	**596 425**
Dr Gloria Somolekae	109 140	191 425	180 000	45 000	–	40 000	30 000	–	**595 565**
Abiodun Odubola	139 765	201 425	360 000	100 000	90 000	101 000	–	–	**992 190**
Philip Odera	112 480	336 425	955 000	55 000	–	–	30 000	30 000	**1 518 905**
Ronald Hoekman/ Loyalty	138 938	151 855	270 000	–	50 000	21 000	15 000	30 000	**676 793**
Rose Mwaura	167 050	346 425	360 000	145 000	70 000	20 000	20 000	70 000	**1 198 475**
Chris Mokgware	56 570	–	100 000	40 000		20 000	20 000	40 000	**276 570**
Emmanuel Botlhale	56 570	–	100 000	20 000	40 000	20 000	40 000	–	**276 570**
Jayraman Ramesh	56 570	–	100 000	40 000	20 000	20 000	–	40 000	**276 570**
Ketlhalefile Motshegwa	56 570	–	100 000	–	20 000	40 000	40 000	–	**256 570**
Total	**1 562 033**	**1 875 120**	**4 585 455**	**535 000**	**390 000**	**417 000**	**295 000**	**325 000**	**9 984 608**

OVERVIEW OF NON-EXECUTIVE DIRECTOR **REMUNERATION POLICY:**

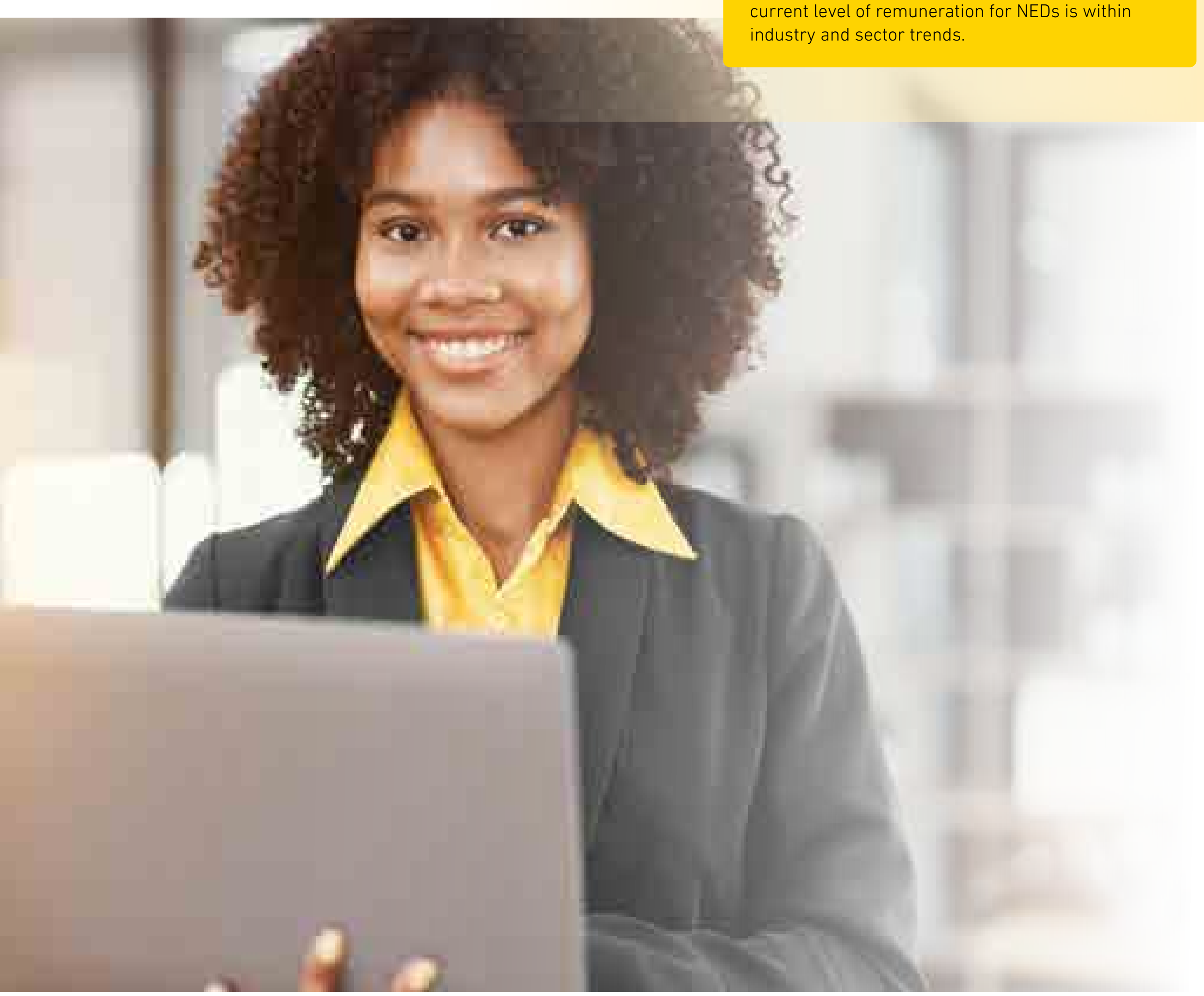
The Group's Remuneration Committee is responsible for recommending Non-Executive Director (NED) remuneration.

- 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 Extraordinary General Meeting held on 25 October 2022. No changes are being made or proposed for 2023.

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, Bowmans, in the second quarter of 2022. This exercise compared Letshego's NED fees to 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 Bowmans, the Group Board is satisfied that the current level of remuneration for NEDs is within industry and sector trends.



Executive Directors' remuneration as at 31 December 2022

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 – 13/05/2022	3 754 959	–	**3 754 959**
Aobakwe Aupa Monyatsi**	13/05/2022 – 31/12/2022	3 113 232	366 667	**3 479 899**
Tinotenda Gwendoline Muteiwa	24/03/2020 – 31/12/2022	3 407 928	269 835	**3 677 763**
Total		**10 276 119**	**636 502**	**10 912 621**

* *Andrew Okai* joined Letshego group as the Group Chief Executive Officer on the 1 January 2020 and was appointed a director on the 1 February 2020. He resigned as a director on the 13th May 2022.*

** *Aobakwe Aupa Monyatsi** was appointed as interim Chief Executive Officer on 4 May 2022 and substantive Chief Executive Officer on 10 June 2022. He was appointed as a director on 13 May 2022.*

*** *Performance bonuses were awarded in March 2023. The directors' remuneration included in Note 25 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 2022, in terms of the Long Term Incentive Scheme 6,161,972 ordinary shares vested to Executive Directors that related to 31 December 2022 financial year end.

Executive Directors' remuneration as at 31 December 2021

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
Total		**7 978 152**	**6 660 734**	**14 638 886**

* *Performance bonuses were awarded in March 2022. The directors' remuneration included in Note 25 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 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.

Top three earners who are not executive directors as at 31 December 2022

	For management services	Performance bonus/ sign-on bonus	Total
Employee 1	4 166 226	246 147	**4 412 373**
Employee 2	2 953 606	247 155	**3 200 761**
Employee 3	2 663 130	200 000	**2 863 160**

2022: In terms of the Long Term Incentive Scheme 1 289 420 ordinary shares vested to the top three earners that related to the 31 December 2022 financial year.

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.

EMPLOYEE **REMUNERATION POLICY**

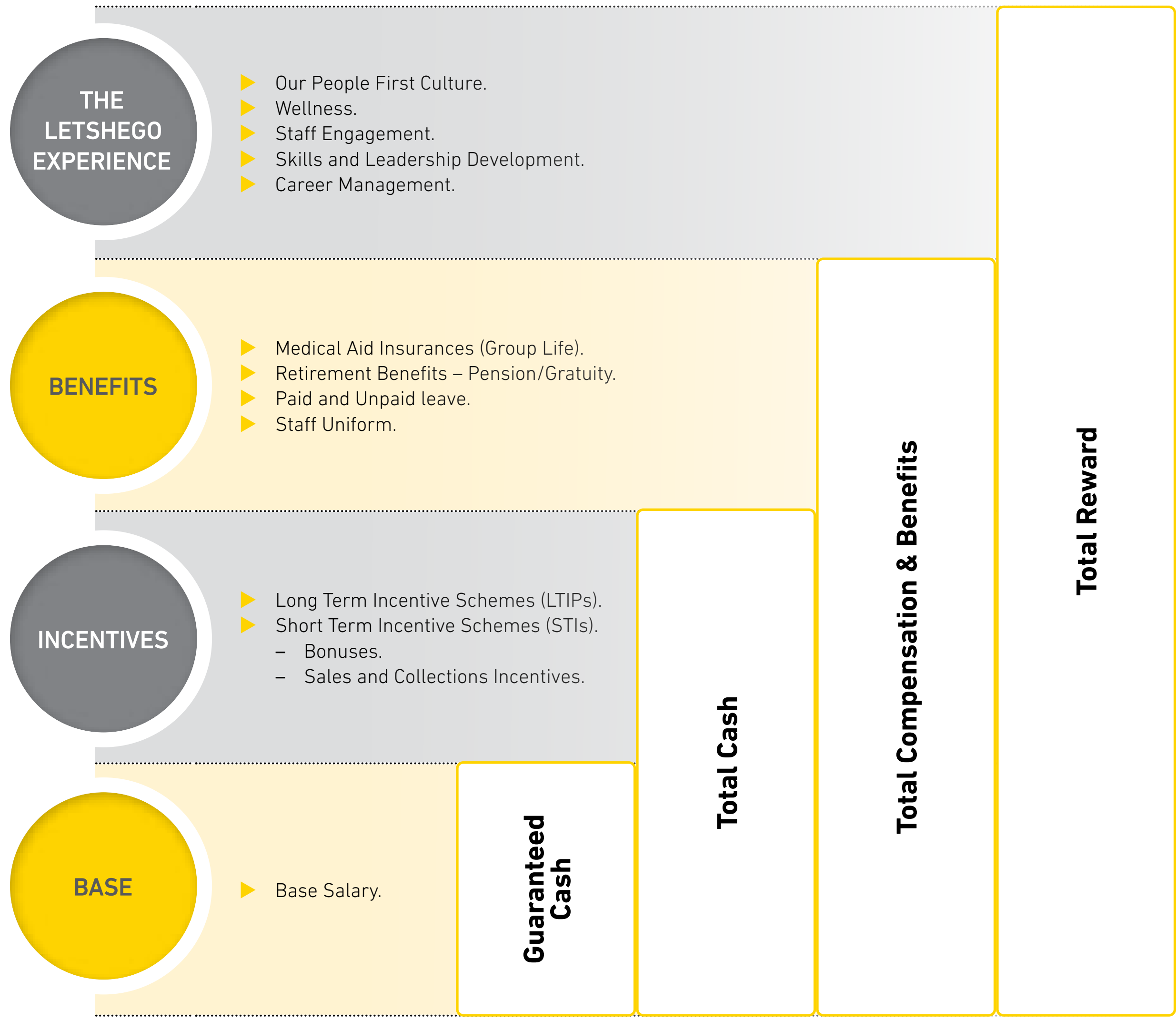
Employee remuneration: the Letshego experience

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**



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 employee's 'individual ecosystem' – supporting the multiple dimensions that contribute to social, mental and physical wellness. A key aspect of the People First Culture is the building of an enabling work environment through a culture based on our mantra of 'Simplicity, Focus and Discipline' which 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.

Additional **information**

HOLDING **STRUCTURE**

Letshego Holdings Limited

*Mauritius and South Africa are not customer franchises.

Abbreviations

AI	artificial intelligence
AGF	African Guarantee Fund
AGM	Annual general meeting
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
BWP/P	Botswana Pula
BURS	Botswana United Revenue Services
CEO	Chief executive officer
CFO	Chief finance officer
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
EPS	Earnings per share
ERMF	Enterprise risk management framework
ESG	environmental, social, governance
ETR	effective tax rate
EVP	employee value proposition
Exco	Executive committee
FVOCI	fair value through other comprehensive income
GAC	Group Audit Committee
GCPF	Global Climate Partnership Fund
GDP	gross domestic product
GGNC	Group Governance and Nominations Committee
GIA	Group Internal Audit
GIBS	Gordon Institute Of Business Science
GRI	Global Reporting Initiative
GRSEC	Group Risk, Social and Ethics Committee
GSIC	Group Social and Investment Committee
ICAS	Independent Counselling and Advisory Services
I&T	information and technology
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIA	Institute Of Internal Auditors
IIRC	International Integrated Reporting Framework
JSE	Johannesburg Stock Exchange
King IV	King Code of Governance Principles for South Africa
KPI	Key performance indicators
LGD	loss given default
MSE	micro and small entrepreneurs
NED	Non-executive Director
NPLs	non-performing loans
NPS	Net promoter score
OECD	organisation for economic cooperation and development
OKR	objectives and key results
PBT	profit before tax
Remco	Remuneration Committee
ROE	return on equity
ROI	return on investment
SADC	Southern African Development Community
SAFe	Scaled Agile Framework
TOM	target operating model
UN SDGs	United Nations Social Development Goals
UNPRI	United Nations Principles of Responsible Investment
USSD	unstructured supplementary service data

Section 2

Consolidated **annual financial statements**

for the year ended 31 December 2022

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

Gorata Tlhale Dibotelo
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 2022.

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 remainder 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 2022 amounted to P899,571,189 (31 December 2021: P882,224,337).

On 25 February 2022, 14,291,633 ordinary shares were issued in terms of the Group's Long Term Incentive Plan (prior year: 5,348,050 ordinary shares). These were issued from shares held as treasury shares, combined with new ordinary shares. Treasury shares remaining at the end of the year were 3,989,970 (prior year: 9,222,720).

Dividends

An interim dividend of 5.8 thebe per share (prior year: 7.3 thebe per share) was declared on 23 August 2022.

A second and final dividend of 9.7 thebe per share (prior year: 9.7 thebe) was declared on 28 February 2023 and will be paid on or around 26 June 2023.

Directors

The following persons were directors of the Group:

Non-executive

Name	Details	Nationality
E.N Banda	Resigned from Board and as Chairman 22 June 2022	South Africa
P. Odera	Appointed Chairman 22 June 2022	Kenya
S. Price	Retired 23 June 2022	UK
H. Karuhanga	Resigned 22 June 2022	Uganda
Dr G.Somolekae	Resigned 22 June 2022	Botswana
R. N. Alam	Resigned 24 March 2022	USA
C. Lesetedi		Botswana
G. Van Heerde		South Africa
A. Odubola		Nigeria
R. Hoekman		The Netherlands
R. Mwaura		Kenya
J. Ramesh	Appointed 11 August 2022	Botswana
C. Mokgware	Appointed 11 August 2022	Botswana
K. Motshegwa	Appointed 16 August 2022	Botswana
Prof. E. Botlhale	Appointed 16 August 2022	Botswana

Executive

Name	Position	Nationality
A.F. Okai	Group Chief Executive Officer – appointed 01 February 2020, resigned 13 May 2022	Ghana
A.A. Monyatsi	Group Chief Executive Officer – appointed 10 June 2022	Botswana
T.G. Muteiwa	Group Chief Financial Officer – appointed 24 March 2020	Zimbabwe

Directors' shareholdings

The aggregate number of shares held directly by Directors at 31 December 2022 were 521,109 shares (31 December 2021: 33,405 shares). 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 2022, 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 27 March 2023 and are signed on its behalf by:

P. Odera
CHAIRMAN

A. Monyatsi
GROUP CHIEF EXECUTIVE OFFICER

INDEPENDENT **AUDITOR'S REPORT**

Firm of Chartered Accountants
2nd Floor
Plot 22, Khama Crescent
P O Box 41015
Gaborone, Botswana

Tel: +267 397 4078/ 365 4000
Fax: +267 397 4079
Email: eybotswana@za.ey.com
Partnership registered in Botswana
Registration No: 10829
VAT No: P03625401112
www.ey.com

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 12 to 100, which comprise the consolidated statement of financial position at 31 December 2022, 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 2022, 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	
Net loans and advances comprised 75% of the Group's total assets at the reporting date. The related ECL impairment allowance was P404 million (2021: P564 million), representing a 28% decrease in the impairment allowance compared to the prior year. 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. Significant judgements and estimates applied in determining the Group's expected credit loss (ECL) allowance include: • Choosing appropriate models and assumptions for the measurement of expected credit loss allowances • Determining criteria for significant increase in credit risk (SICR) • The determination of management overlays • Estimation of the probability of default (PD), exposure at default (EAD) and loss given default (LGD) parameters.	With the support of our internal 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 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 these overlays against our understanding of the factors used based on independent data. We reconciled the data from the core banking systems of each jurisdiction to the respective ECL models. We evaluated the appropriateness of the forecasted information developed by management for each jurisdiction by comparing it against historical data in relation to the support measures and considering other macroeconomic factors of the various

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. 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 credit loss allowance 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,* note 2.1 *Impairment of advances to customers* and note 6 *Advances to customers.*	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 assessed the reasonableness of underpinning assumptions, inputs and formulae used in the ECL models. This included a combination of assessing the appropriateness of model design, formulae and algorithms, alternative modelling techniques and recalculating the PD, LGD and EAD parameters and ultimately the impairment allowance. Based on our judgement, we performed sensitivity analyses 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.

Expected credit loss allowance on investment in securities held by Letshego Ghana Plc	**How the matter was addressed in the audit**
The Group, through Letshego Ghana Plc, held investment securities comprising of government bills and bonds of P196.4 million at the reporting date. The Group recognised an expected credit loss (ECL) allowance of P36.027 million on these financial instruments. The Ghanian government initiated a Debt Exchange Programme for a portfolio of government bonds as part of a comprehensive agenda to restore debt and fiscal sustainability within the country.	With the support of our internal specialists, we performed the following audit procedures amongst others: We obtained and reviewed the communications received from the Ghanian government regarding the debt restructuring programme. We reviewed industry guidance issued by the Institute of Chartered Accountants Ghana regarding accounting implications of the debt restructure.

This debt restructuring programme was a critical component of both the debt reduction and the IMF programme that sought to help restore economic stability. The Group applied an IFRS 9 ECL model in determining the ECL impact of the debt restructure programme on its exposure to these instruments. Management exercised significant judgements regarding inputs, assumptions, and techniques for estimating the ECL and staging of these instruments. Key judgements and estimates include: - Fair value determination of the new government bonds announced as replacement for the bonds held at 31 December 2022 - Various scenarios and probability weightings assigned to these scenarios as well as an estimate of expected cash shortfalls under each of these scenarios - Assessment of Significant Increase in Credit Risk (SICR) - Determination of whether the existing instruments would have suffered significant modification based on the terms of the restructure. Given the combination of inherent subjectivity in the preparation of the excepted credit loss model applied in calculating the expected credit loss allowance relating to these investment securities, and the judgement and estimates involved in determining the inputs into the model, we considered the calculation of the expected credit loss allowance in accordance with IFRS 9 - *Financial Instruments* as applicable to the Group's investments in these securities to be a key audit matter in our audit of the consolidated financial statements. The disclosures associated with the debt restructuring programme and the impairment of the investment securities are set out in note 4 *Investment securities* to the consolidated financial statements.	We reviewed the critical inputs used in assessing the ECL on these instruments including staging, fair value calculations, scenarios, and related probability weights among others. This included the review of the critical inputs into the model against our understanding of the macro-economic environment and the banking industry as well as benchmarking the inputs in the model to similar occurrences of default noted in other jurisdictions. We assessed the stage allocation and further evaluated the criteria used to allocate the financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution of the financial assets and assessed the reasonableness of staging downgrades applied by management. 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 information included in the 105 paged document titled "Letshego Holdings Limited Consolidated Annual Financial Statements for the Year ended 31 December 2022" which includes the Group Corporate Information, the Directors' report, the Directors' Responsibility Statement, the Group Value Added Statement, the Five-Year Financial History 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.

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 communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT *continued*

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 2023
Gaborone
31 March 2023

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

at 31 December 2022

	Note	31 December 2022 P'000	31 December 2021 P'000
ASSETS			
Cash and similar instruments	3	**1 020 771**	1 413 500
Investment securities	4	**692 101**	859 496
Financial assets at fair value through profit or loss*	5	**1 178 969**	826 092
Advances to customers	6	**12 727 475**	11 875 595
Other receivables	7	**479 533**	413 411
Financial assets at fair value through OCI	8	**43 107**	71 499
Income tax receivable		**81 454**	134 767
Property and equipment	9	**116 761**	172 822
Right-of-use assets	10	**101 654**	98 756
Intangible assets	11	**305 798**	30 040
Goodwill	12	**31 910**	67 715
Deferred tax assets	27.1	**129 083**	95 748
Total assets		**16 908 616**	**16 059 441**
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities at fair value through profit or loss	13	**1 201 095**	808 621
Customer deposits	14	**1 120 827**	1 175 586
Cash collateral	15	**18 476**	21 522
Income tax payable*		**68 426**	96 268
Trade and other payables	16	**715 490**	965 860
Lease liabilities	17	**97 953**	99 646
Borrowings	18	**8 027 840**	7 380 768
Deferred tax liabilities	27.1	**339**	5 168
Total liabilities		**11 250 446**	**10 553 439**
Shareholders' equity			
Stated capital	19	**899 571**	882 224
Foreign currency translation reserve		**(492 653)**	(557 341)
Legal reserve	20	**313 780**	265 244
Fair value adjustment reserve		**(13 144)**	15 248
Share based payment reserve	21	**42 474**	39 907
Retained earnings		**4 442 209**	4 421 568
Total equity attributable to equity holders of the parent company		**5 192 237**	**5 066 850**
Non-controlling interests		**465 933**	439 152
Total shareholders' equity		**5 658 170**	**5 506 002**
Total liabilities and equity		**16 908 616**	**16 059 441**

* The order of liquidity on the Statement of Financial Position of the above items has been amended in the current financial year in order to better reflect their nature in relation to other items on the Statement of Financial Position. The indicated amendment is anticipated to enhance users' understanding of the financial statements of the Group.

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

for the year ended 31 December 2022

	Note	31 December 2022 P'000	31 December 2021 P'000
Interest income at effective interest rate	22	**3 145 672**	3 110 511
Interest expense at effective interest rate	23	**(1 376 678)**	(1 119 108)
Other interest expense	23.1	**(12 524)**	(14 930)
Net interest income		**1 756 470**	**1 976 473**
Fee and commission income	24	**89 554**	83 681
Other operating income	24.1	**439 803**	286 604
Operating income		**2 285 827**	**2 346 758**
Expected credit losses	6.3	**(98 706)**	17 196
Net operating income		**2 187 121**	**2 363 954**
Employee benefits	25	**(585 939)**	(546 241)
Other operating expenses	26	**(799 927)**	(670 969)
Total operating expenses		**(1 385 866)**	**(1 217 210)**
Profit before taxation		**801 255**	**1 146 744**
Taxation	27	**(332 311)**	(417 243)
Profit for the year		**468 944**	**729 501**
Attributable to:			
Equity holders of the parent company		**401 903**	671 554
Non-controlling interest		**67 041**	57 947
Profit for the year		**468 944**	**729 501**
Other comprehensive income, net of tax			
Items that may be reclassified to profit or loss, net of tax			
Fair value (loss)/gain on financial asset designated at fair value through other comprehensive income	8	**(28 392)**	9 431
Exchange differences on translation of foreign operations		**75 425**	329 824
Total comprehensive income for the year		**515 977**	**1 068 756**
Attributable to:			
Equity holders of the parent company		**438 199**	1 009 317
Non-controlling interest		**77 778**	59 439
Total comprehensive income for the year		**515 977**	**1 068 756**
Earnings per share			
Basic earnings per share – (thebe)	28	**18.7**	31.5
Diluted earnings per share – (thebe)	28	**17.6**	29.4

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.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

for the year ended 31 December 2022

	Note	Stated capital P'000	Retained earnings P'000	Share-based payments reserve P'000	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
Balance at 1 January 2022		**882 224**	**4 421 568**	**39 907**	**15 248**	**(557 341)**	**265 244**	**439 152**	**5 506 002**
Total comprehensive income for the year									
Profit for the year		**–**	**401 903**	**–**	**–**	**–**	**–**	**67 041**	**468 944**
Other comprehensive income, net of income tax									
Fair value adjustment of financial asset		**–**	**–**	**–**	**(28 392)**	**–**	**–**	**–**	**(28 392)**
Foreign currency translation		**–**	**–**	**–**	**–**	**64 688**	**–**	**10 737**	**75 425**
Transactions with owners, recorded directly in equity									
Allocation to legal reserve	20	**–**	**(48 536)**	**–**	**–**	**–**	**48 536**	**–**	**–**
Recognition of share-based payment reserve movement	21	**–**	**–**	**19 914**	**–**	**–**	**–**	**–**	**19 914**
New shares issued from long-term incentive scheme	21	**17 347**	**–**	**(17 347)**	**–**	**–**	**–**	**–**	**–**
Dividends paid by subsidiary to minority interests		**–**	**–**	**–**	**–**	**–**	**–**	**(50 997)**	**(50 997)**
Dividends paid to equity holders	29	**–**	**(332 726)**	**–**	**–**	**–**	**–**	**–**	**(332 726)**
Balance at 31 December 2022		**899 571**	**4 442 209**	**42 474**	**(13 144)**	**(492 653)**	**313 780**	**465 933**	**5 658 170**
Balance at 1 January 2021		**872 169**	**4 133 314**	**31 295**	**5 817**	**(885 673)**	**214 835**	**417 819**	**4 789 576**
Total comprehensive income for the year									
Profit for the year		–	671 554	–	–	–	–	57 947	729 501
Other comprehensive income, net of income tax									
Fair value adjustment of financial asset		–	–	–	9 431	–	–	–	9 431
Foreign currency translation		–	–	–	–	328 332	–	1 492	329 824
Transactions with owners, recorded directly in equity									
Allocation to legal reserve	20	–	(50 409)	–	–	–	50 409	–	–
Recognition of share based payment reserve movement	21	–	–	18 667	–	–	–	–	18 667
New shares issued from long term incentive scheme	21	10 055	–	(10 055)	–	–	–	–	–
Dividends paid by subsidiary to minority interests		–	–	–	–	–	–	(38 106)	(38 106)
Dividends paid to equity holders	29	–	(332 891)	–	–	–	–	–	(332 891)
Balance at 31 December 2021		**882 224**	**4 421 568**	**39 907**	**15 248**	**(557 341)**	**265 244**	**439 152**	**5 506 002**

CONSOLIDATED STATEMENT OF **CASH FLOWS**

for the year ended 31 December 2022

	Note	31 December 2022 P'000	31 December 2021 P'000
OPERATING ACTIVITIES			
Profit before taxation		**801 255**	1 146 744
Adjustments for:			
– Interest income		**(3 145 672)**	(3 110 511)
– Interest expense*		**1 389 202**	1 134 038
– Amortisation of intangible assets	11	**11 716**	13 788
– Depreciation of property and equipment	9	**36 906**	37 638
– Depreciation of right-of-use assets	10	**41 407**	47 255
– Loss on disposal and write off of plant and equipment		**–**	2 324
– Loss on disposal and write off of intangible assets		**–**	138
– Impairment and write off charge: advances to customers		**209 222**	161 121
– Impairment and write off charge: investment securities	4	**36 027**	–
– Impairment of goodwill	12	**32 795**	–
– Net foreign exchange differences*		**320 150**	(215 203)
– Net change in market adjustments on foreign currency swaps		**39 597**	(21 316)
– Net change in market adjustments on interest rate swaps		**–**	(8 206)
– Long term incentive plan provision	21	**19 914**	18 667
Changes in working capital:			
Movement in advances to customers		**(1 061 102)**	(1 876 058)
Movement in other receivables		**(66 122)**	(150 209)
Movement in trade and other payables		**(250 370)**	251 312
Movement in customer deposits		**(54 759)**	511 193
Movement in cash collateral		**(3 046)**	2 684
Cash used in operations		**(1 642 880)**	**(2 054 601)**
Interest received		**3 145 672**	3 110 511
Interest paid*		**(1 376 678)**	(1 119 108)
Income tax paid	27.3	**(345 004)**	(422 607)
Net cash flows used in operating activities		**(218 890)**	**(485 805)**
INVESTING ACTIVITIES			
Purchase of treasury bonds	4	**–**	(859 496)
Proceeds from disposal of treasury bills and bonds		**131 368**	–
Purchase of property and equipment	9	**(71 520)**	(112 908)
Purchase of intangible assets	11	**(222 531)**	(2 926)
Net cash flows used in investing activities		**(162 683)**	**(975 330)**
FINANCING ACTIVITIES			
Dividends paid to equity holders		**(332 726)**	(332 891)
Dividends paid to subsidiary non-controlling interest		**(50 997)**	(38 106)
Repayment of principal portion of lease liabilities		**(45 997)**	(48 039)
Repayment of interest portion of lease liabilities		**(12 524)**	(14 930)
Proceeds from borrowings	18	**2 186 243**	2 817 052
Repayment of borrowings	18	**(1 717 613)**	(636 976)
Net cash flows generated from financing activities		**26 386**	**1 746 110**
Net movement in cash and similar instruments		**(355 187)**	**284 975**
Movement in cash and similar instruments			
At the beginning of the year		**1 355 294**	986 534
Movement during the year		**(355 187)**	284 975
Effect of exchange rate changes on cash and similar instruments		**(5 525)**	83 785
Cash and similar instruments at the end of the year	3	**994 582**	**1 355 294**

* In previous financial periods, exchange gains and losses were included as part of interest expense. In the current period, exchange gains have been reflected as part of other operating income. The Group has opted to present its statement of cash flows in this manner since the indicated amendment is anticipated to enhance users' undertsanding of the financial statements of the Group.

SIGNIFICANT **ACCOUNTING POLICIES**

for the year ended 31 December 2022

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 2022 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 2022 have been approved for issue by the Board of Directors on 27 March 2023.

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

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Land and building 30 – 50 years

Property and equipment (continued)

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 prorate 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. 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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

PROVISIONS (continued)

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract (i.e., both incremental costs and an allocation of costs directly related to contract activities).

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.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

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.

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.

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 2022 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Onerous Contracts – *Costs of Fulfilling a Contract (Amendments to IAS 37)*

The Group has adopted Onerous Contracts – *Costs of Fulfilling a Contract (Amendments to IAS 37)* from 1 January 2022. This resulted in a change in accounting policy for performing an onerous contracts assessment. Previously, the Group included only incremental costs to fulfil a contract when determining whether that contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. The Group has analysed all contracts existing at 1 January 2022 and determined that none of them would be identified as onerous applying the revised accounting policy – i.e. there is no impact on the opening equity balances as at 1 January 2022 as a result of the change.

SIGNIFICANT ACCOUNTING POLICIES CONTINUED

NEW AND AMENDED STANDARDS AND INTERPRETATIONS (continued)

Reference to the Conceptual Framework – *Amendments to IFRS 3*

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to the following standards, which are relevant to the Group's operations.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

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 has "third party" cell captive insurance arrangements in Namibia and Mozambique, where significant insurance risk appears to be transferred from the cell insurer to the Group. The Group intends to apply the general model in IFRS 17 to account for the implications of the cell captive arrangements from the effective date of the Standard and intends to utilise the disclosure reliefs permitted by the Standard upon transition. The impact of this on the Group is still being assessed.

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 2024 and must be applied retrospectively. The Group however presents all assets and liabilities in order of liquidity in its statement of financial position, since this provides information that is reliable and more relevant to the users of the financial statements. The impact of this on the Group is still being assessed.

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's financial statements.

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. The Group is currently revisiting its accounting policy information disclosures to ensure consistency with the amended requirements when the Standard becomes effective. The impact of the amendments on the Group are still being assessed.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – *Amendments to IAS 12*

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently still assessing the impact of the amendments.

notes to the consolidated financial statements

for the year ended 31 December 2022

1 Financial risk management

1.1 Introduction and overview

The escalation of the war in Ukraine during the year and prolonged restrictions on exports from Russia triggered food and energy crises globally prices in most of the countries in which the Group operates. Interest rates increased in almost all our countries of operation as Central Banks responded to inflationary flare ups that worsened from the second quarter of the year. For 2023, risks to economic prospects are to the downside for most of our presence countries. Headwinds for top three countries in terms of portfolio size include weaker diamond demand for Botswana should the global economic recovery continue to lose momentum, and impact of South Africa's probable economic recession on our Southern Africa markets. For Namibia, which remains heavily reliant on imports to meet local demand, this will provide a further headwind as imports become more costly. In Mozambique, the economic prospects for 2023/24 are positive despite continuing fiscal gap, high debt servicing, recurring natural disasters and conflicts in the north of the country.

Despite the headwinds generally across the countries, the Group continues to progress well in meeting its 6-2-5 strategic targets underpinned by strong capitalization levels during the year across all the countries in which it operates. Credit Risk remained elevated during the year largely due to systemic deduction interruptions by employers across the markets. Adversely performing MSE segments arising from a mix of factors that include diversion of income and poor business performance additionally impacted the loan book quality. From a Non-Financial Risk perspective, COVID-19 related risks were under control during the year with all countries in which the Group operates registering successes in combating the pandemic by end of the third quarter largely due to increased vaccinations. Going forward, the focus is on continued automation of manual back-end processes across the operations of the business.

1.2 Financial risk

During the year under review, the Group continued to face both Financial Risks and Non-financial Risks with appropriate risk mitigations being put in place and adequate oversight provided by Group Management Risk Committee at Management level and Group Risk, Social and Ethics Committee at Board level.

In line with the Group's Enterprise Risk Management Framework (ERMF), financial risk is categorized as Capital Risk, Credit Risk and Treasury Risk that covers liquidity risk, interest rate risk, investment risk and foreign exchange rate risk.

1.2.1 Capital risk

Capital risk is the risk that the Group is unable to maintain sufficient levels of capital resulting in inability to support business activities, failure to meet regulatory requirements and increased costs or reduced capacity to raise funding due to adverse changes in credit rating or funding sources.

As part of the Group's Internal Capital Adequacy Assessment Process (ICAAP Lite), subsidiaries that include Ghana, Nigeria and Tanzania LBT were capitalized during the year. All subsidiaries' capital adequacy ratios remained above the regulatory and Group minimum requirements. However, Tanzania -LBT's regulatory minimum core capital was below the regulatory limit required as at year end and appropriate arrangements were made by the bank to regularize the position to meet the Central Bank requirements. A re-capitalisation plan based on the merger of the two Tanzania businesses, LBT and Faidika will result in adequate capital levels and sufficient buffer.

Risk Appetite metrics for Capital Risk are tracked on a regular basis with breaches being reported to the Group Balance Sheet Management Committee for adequate oversight by Management.

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 6.5% for the period under review (FY2021: 5.9%). 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 45% (FY2020: 73%). There were no concerns on provision adequacy given both historical collection statistics on Deduction at Source and credit default insurance cover in Mozambique and Namibia. In addition, fully secured portfolios have now factored in the collateral values to discount expected credit losses based on realization trends.

Deduction at Source (DAS) loans remains the largest product portfolio, comprising 88% of the Group's overall lending portfolio (FY2021: 86%). Letshego's top profit-generating markets, Botswana and Namibia, performed well over the full year period, with NPL for the two markets' Deduction at Source portfolios aggregating at 3.9%.

Key metrics	YoY Trend	**2022**	2021
Growth in gross advances to customers	↑	**6%**	16%
Loan loss rate	↓	**0.5%**	(0.1%)
Increase in non-performing loans (NPLs) as a percentage (%) of gross advances	↓	**6.5%**	5.9%
Stage 3 coverage ratio	↓	**45%**	73%

	2022 P'000	2021 P'000
Loan loss rate % – cost of risk		
Impairment expense/(reversal), excluding Investment Securities	**62 679**	(17 196)
Average gross advances to customers	**12 785 580**	11 589 411
	0.5%	**(0.1%)**
***Non-performing loans %**		
Non-performing loans	**847 509**	729 146
Gross advances to customers	**13 131 860**	12 439 300
	6.5%	**5.9%**

* Note that the above excludes the aggregated collateral associated with Ghana informal loans.

Asset Quality

Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities, strengthened credit risk governance, and improved risk infrastructure. Group contained the extraneous risks to the portfolio in FY2022 ensuring asset quality remained fairly stable with Non-Performing Loans ratio (NPL) closing the year at 6.5% compared to 5.9% (December 2021). The growth in NPL was driven mainly by East and West African markets, where more vulnerable MSE portfolios are predominant. The portfolios in our large markets recorded improvement in NPL and recovery rates cumulatively improving the portfolio LGDs. As a result, our NPL impairment coverage ratio was 45%, relative to 73% in prior period. The Group's credit risk mitigations in Mozambique and Namibia (comprehensive default insurance) remained in force and are effective. The impact of these credit risk mitigations were factored into our IFRS 9 loan impairment modelling during the year.

The annualised Loan Loss Rate (LLR) for FY 2022 was 0.5% and within the risk appetite of 3% (FY 2021: -0.1%) that included a once-off write back of P76million from a single party exposure in East Africa.

As at 31 December 2022, the Group did not consider any additional provisions as management actions were adequate to address any future impact of macroeconomic events such as the Ukraine/Russia war. Impact of external operational pressures affected most businesses across the continent and the world at large. The resultant impact was curbed by the nature of the Group's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. In the year 2022, no government in the Group's countries of operation retrenched employees and a 96% collection rate was maintained for the DAS book.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Financial risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

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 FY2018. Write-off point analysis was performed in view of a write-off being deemed 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 at source and high risk, 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. Other portfolio management actions include;

- 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 six 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 re-phase (re-age) accounts where instalments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Re-phasement 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 determining 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 per 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; and
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Financial risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

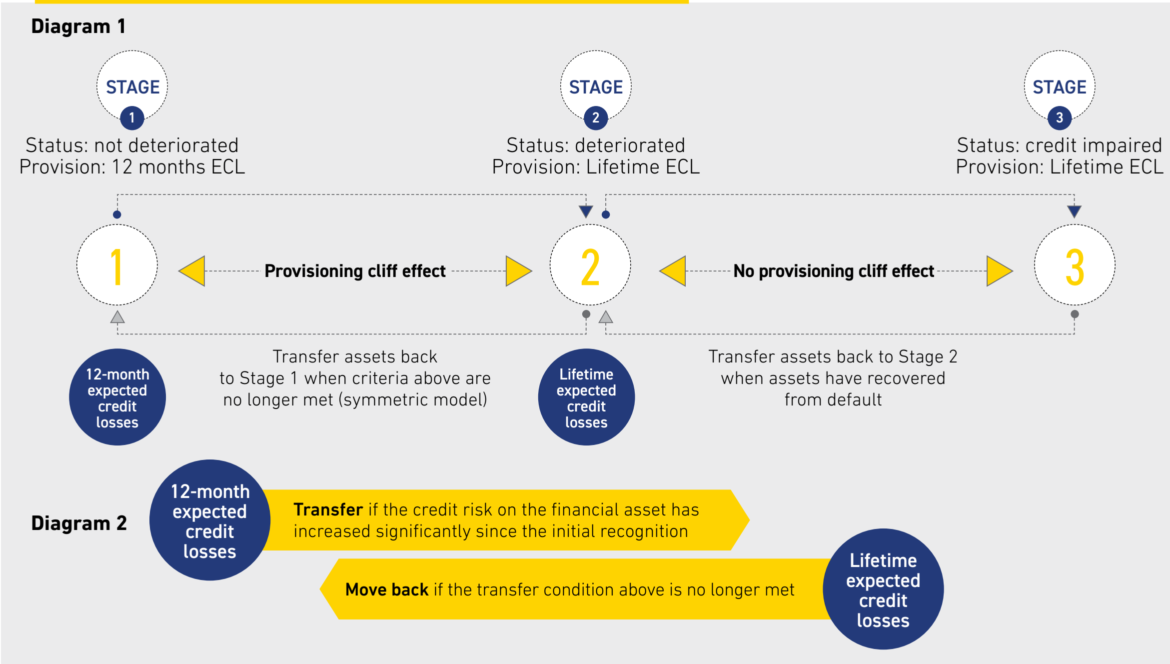
Credit risk stress testing (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022	**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	**10 189 130**	**(91 113)**	**(18 452)**	**(89 916)**	**9 989 649**	**–**
East and West Africa	**2 942 730**	**(73 366)**	**(24 145)**	**(107 393)**	**2 737 826**	**(18 476)**
	13 131 860	**(164 479)**	**(42 597)**	**(197 309)**	**12 727 475**	**(18 476)**

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)**

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 (refer to Note 15).

(b) Other financial assets measured at amortised cost	**31 December 2022 P'000**	31 December 2021 P'000
Cash and cash equivalents	**1 020 771**	1 413 500
Investment in securities	**692 101**	859 496
Other receivable accounts	**479 533**	413 411
	2 192 405	**2 686 407**

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 recognised in respect to advances to customers as at 31 December 2022:

	IFRS 9 ECL Provisions at 31 December 2022				IFRS 9 ECL Provisions at 31 December 2021			
Operating Segments 31 December 2022 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 2022**	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
Financial assets								
Botswana	**37 101**	**6 606**	**32 255**	**75 962**	29 302	3 420	73 873	**106 595**
Namibia	**16 700**	**574**	**19 222**	**36 496**	9 483	618	24 362	**34 463**
Mozambique	**32 942**	**7 396**	**15 320**	**55 658**	9 788	1 303	8 259	**19 350**
Lesotho	**2 278**	**421**	**4 389**	**7 088**	11 520	793	9 367	**21 680**
Eswatini	**2 092**	**3 455**	**18 730**	**24 277**	3 932	5 886	29 373	**39 191**
Kenya	**17 097**	**3 929**	**21 738**	**42 764**	9 338	3 118	36 600	**49 056**
Rwanda	**4 099**	**201**	**408**	**4 708**	2 493	368	202	**3 063**
Uganda	**11 593**	**2 472**	**13 012**	**27 077**	8 569	2 918	19 195	**30 682**
Tanzania	**19 789**	**2 773**	**35 638**	**58 200**	19 141	1 062	29 429	**49 632**
Nigeria	**4 580**	**2 403**	**15 734**	**22 717**	2 169	8 146	20 469	**30 784**
Ghana	**16 208**	**12 367**	**20 863**	**49 438**	25 078	82 561	71 570	**179 209**
Total	**164 479**	**42 597**	**197 309**	**404 385**	**130 813**	**110 193**	**322 699**	**563 705**

Overall Expected Credit Losses in December 2022 closed at P404.4 million, which is a decrease from P563.7 million in December 2021. This is in line with improvement in recoveries as evidenced by a decrease in Loss Given Defaults (LGDs) and collateralised LGDs across our markets.

Expected credit losses for the year were low and aligned with the Group's credit risk profile with the leading portfolio being Deduction as Source (FY2022 -88%, FY2021 -86%). Deduction at Source is mainly constituted by government & quasi government employees with a sustained collection rate, above ninety percent. There were no concerns on provision adequacy given both historical collection statistics on Deduction as Source and credit default insurance cover in Mozambique and Namibia. In addition, fully secured portfolios have now factored in the collateral values to discount expected credit losses based on realization trends.

A significant portion of the Ghana portfolio relates to mobile loans. A third party previously undertook the ECL model development and implementation of this portfolio. Since the Group did not have a full view of historical data to develop an internal model, a conservative approach was taken to measure expected credit losses. In Q4 2022, the Group was able to obtain access to historical data to develop an internal model. The data showed gradual improvements in default roll rates as well as evidence of recoveries to develop a Loss Given Default model. Management was then comfortable to remove the conservative estimate and instead apply the internal advanced approach, which implemented IFRS 9 compliant models to provide a more accurate position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Financial risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk (continued)

Key highlights

Measure	FY2022	FY2021	FY2020	FY2019	FY 2018
Gross Loan Book Balance in P'm	**13 132**	12 439	10 740	9 833	9 542
Portfolio at risk – 30 days	**9.2%**	9.2%	8.3%	10.0%	10.4%
Portfolio at risk – 90 days (NPL)	**6.5%**	5.9%	5.3%	6.9%	7.1%
Post Write-off Recoveries in the year in P'm	**147**	178	199	184	147
Loan loss rate – actual	**0.5%**	(0.1%)	0.3%	1.7%	4.1%
Loan loss rate – excl. once-off items	**0.5%**	0.6%	1.8%	1.7%	2.0%
Non-performing loan coverage ratio	**45%**	73.0%	98%	112%	115%

* Non-performing loan coverage ratio = Total ECL provision/Gross carrying amount on NPL.

Portfolio indicators are holding strong on the back of enhanced credit risk management capabilities, strengthened credit risk governance, and improving risk infrastructure. Group contained the extraneous risks to the portfolio in 2022 ensuring asset quality remained fairly stable with Non-Performing Loans ratio (NPL) closing the year at 6.5% compared to 5.9% (December 2021). The growth in NPL was driven mainly by East and West African markets, where more vulnerable MSE portfolios are predominant. The portfolios in our large markets recorded improvement in NPL and recovery rates cumulatively improving the portfolio LGDs. As a result, our NPL impairment coverage ratio's was 45%, relative to 73% in prior period. The Group's credit risk mitigations in Mozambique and Namibia (comprehensive default insurance) remained in force and are effective. The impact of these credit risk mitigations were factored into our IFRS 9 loan impairment modelling during the year.

As at 31 December 2022, the Group did not consider any additional provisions as management actions were adequate to address any future impact of macroeconomic events such as the Ukraine/Russia war. Impact of external operational pressures affected most businesses across the continent and the world at large. The resultant impact was curbed by the nature of the Group's product offering. The loan book comprises 88% Deduction at Source (DAS), 9% Micro to Small Enterprises (MSE) and 3% informal loans. In the year 2022, no government in our countries of operation retrenched employees and a 96% collection rate was maintained for the DAS book.

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 2022	**Stage 1 12-month ECL P'000**	**Stage 2 Lifetime ECL P'000**	**Stage 3 Lifetime ECL P'000**	**Total P'000**
Loss allowance:				
At 1 January	**130 813**	**110 193**	**322 699**	**563 705**
Transfers:				
Transfers from Stage 1 to Stage 2	**(12 510)**	**12 510**	**–**	**–**
Transfers from Stage 1 to Stage 3	**(31 103)**	**–**	**31 103**	**–**
Transfers from Stage 2 to Stage 3	**–**	**(6 616)**	**6 616**	**–**
Transfers from Stage 3 to Stage 2	**–**	**1 929**	**(1 929)**	**–**
Transfers from Stage 2 to Stage 1	**2 136**	**(2 136)**	**–**	**–**
New assets originated or purchased	**138 502**	**–**	**–**	**138 502**
Payments or assets derecognised	**(63 359)**	**(73 283)**	**207 362**	**70 720**
Write-offs	**–**	**–**	**(368 542)**	**(368 542)**
	164 479	**42 597**	**197 309**	**404 385**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Financial risk management (continued)

1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Maximum exposure to credit risk (continued)

31 December 2021	ECL Staging Stage 1 12-month ECL P'000	Stage 2 Lifetime ECL P'000	Stage 3 Lifetime ECL 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	(705)
Write-offs	–	–	(175 402)	(175 402)
	130 813	**110 193**	**322 699**	**563 705**

Maximum exposure to credit risk

	At 31 December 2022 (IFRS 9) P'000	At 31 December 2021 (IFRS 9) P'000
Gross advances to customers	**13 131 860**	**12 439 300**
Of which Stage 1	**11 229 003**	10 993 504
Of which Stage 2	**1 006 469**	677 666
Of which Stage 3	**896 388**	768 130
Expected credit loss provisions	**(404 385)**	**(563 705)**
Of which Stage 1	**(164 479)**	(130 813)
Of which Stage 2	**(42 597)**	(110 193)
Of which Stage 3	**(197 309)**	(322 699)
Net advances to customers	**12 727 475**	**11 875 595**
Of which Stage 1	**11 064 524**	10 862 691
Of which Stage 2	**963 872**	567 473
Of which Stage 3	**699 079**	445 431
Impairment (ECL) Coverage Ratio	**3%**	5%
Stage 3 Coverage Ratio	**45%**	73%

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 largely Government Deduction at Source (DAS) retail business, the Group has remained resilient to the worst effects of macroeconomic events, however MSE Non Performing Loans in East and West African subsidiaries have been influenced heavily by external operational pressures.

Model recalibrations are performed at two points, in April and October every year. In addition, macroeconomic factors are updated to align to Fitch Solutions revised forecasts on a monthly basis.

Loss given default (LGD)

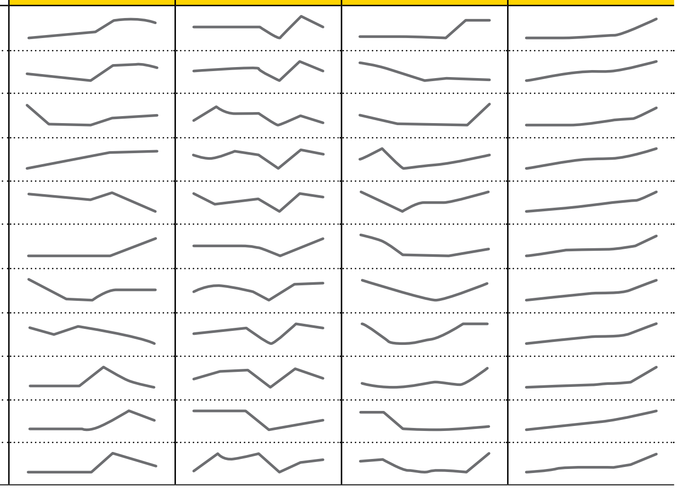
LGDs between H1 2022 and H2 2022 have decreased due to countries experiencing high recoveries as economies start to recover. The Group was therefore comfortable with setting the LGD shocks for upside and downside at 10%, for prudence sake.

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	Macroeconomic Variables – 2016 – 2023F UER	GDP	Inflation	CPI
Botswana				
Eswatini				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Tanzania				
Uganda				



According to 2023 forecasts by Fitch Solutions, economic growth is expected to remain subdued for most countries in SSA as well as increased inflationary pressures. However, this outlook is expected to differ across the region, depending on country circumstances.

Inflation

All countries within the Group are expected to experience higher inflation in 2022 than 2021, with reductions in 2023. However, the consumer price index (CPI) continues on an upward trend across all the subsidiaries.

Gross domestic product (GDP)

Most countries across the Group are expected to experience subdued GDP growth rates up to 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Financial risk managemenT (continued)

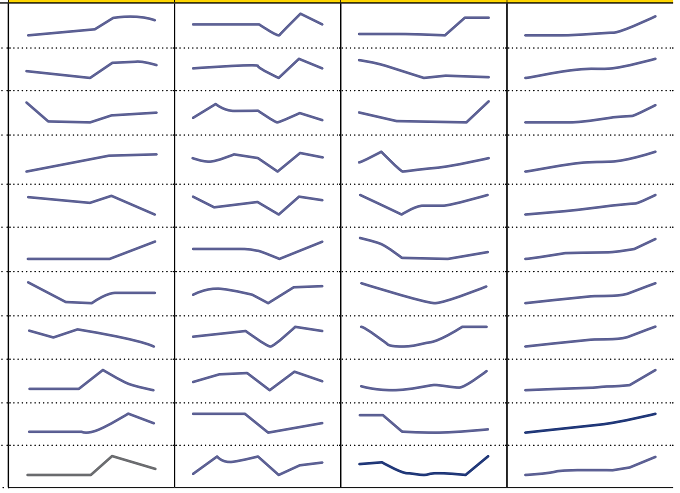
1.3 Financial risk (continued)

1.3.1 Credit risk (continued)

Unemployment rate (UER)

Most countries across the Group are forecast to experience reduced unemployment rates up to 2023.

	Macroeconomic Variables – 2016 – 2023F			
Country	UER	GDP	Inflation	CPI
Botswana				
Eswatini				
Ghana				
Kenya				
Lesotho				
Mozambique				
Namibia				
Nigeria				
Rwanda				
Tanzania				
Uganda				



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 whenever 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

MSE portfolios were stressed downside-heavy while the DAS book was stressed base-heavy to reflect their respective sensitivities to macroeconomic conditions.

The table below summarises the ECL impact of the sensitivity analysis after application of forward looking factors for the year ending 31 December 2022:

	Base case	Upside		Downside		Probability Weighted ECL	Weighted Impact*
BWP'000	ECL	ECL	Impact	ECL	Impact	ECL	Impact
Consumer	287 060	51 194	(235 866)	525 739	238 679	255 523	(31 537)
MSE	123 442	28 755	(94 687)	193 365	69 923	109 776	(13 666)
Informal	35 026	12 679	(22 347)	56 987	21 961	39 086	4 060
Total	**445 528**	**92 628**	**(352 900)**	**776 091**	**330 563**	**404 385**	**(41 143)**

* The Probability weighted ECL is derived by assigning weights to the base, upside and downside scenarios based on management projections. The weights used in the last reporting cycle were 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. Refreshed assessment used the higher end of risk weightings hence as at December 2022, the weightings used are 30%,20%,50%.

The total weighted impact of P41.1m is distributed to operating subsidiaries as follows:

	Base ECL	Probability Weighting	Impact
Country	BWP'000	BWP'000	BWP'000
Botswana	81 448	75 962	(5 486)
Eswatini	28 131	24 277	(3 854)
Ghana	64 134	49 438	(14 696)
Kenya	41 107	42 764	1 657
Lesotho	8 290	7 088	(1 202)
Mozambique	52 988	55 658	2 670
Namibia	41 862	36 496	(5 366)
Nigeria	24 835	22 717	(2 118)
Rwanda	4 500	4 708	208
Tanzania	70 694	58 200	(12 494)
Uganda	27 539	27 077	(462)
Group	**445 528**	**404 385**	**(41 143)**

The Group applied probability weighted ECL as at December 2022. Stressed outcome is the worst case scenario.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 (FY2022 88% Deduction at Source)

The annualised Loan Loss Rate (LLR) for FY 2022 of 0.5% deteriorated as compared to the prior year (FY 2021: -0.1%), which included a once-off write back of P76 million from a single party exposure in East Africa.

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 2022	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**10 048 540**	**69 838**	**70 752**	**10 189 130**
Botswana	3 450 161	43 405	–	3 493 566
Namibia	3 597 077	8 800	–	3 605 877
Mozambique	2 094 444	–	–	2 094 444
Lesotho	430 063	369	–	430 432
Eswatini	476 795	17 264	70 752	564 811
East and West Africa	**1 560 829**	**1 002 128**	**379 773**	**2 942 730**
Kenya	106 608	528 542	–	635 150
Rwanda	(206)	150 275	–	150 069
Uganda	412 201	122 946	–	535 147
Tanzania	62 262	107 561	–	169 823
Nigeria	115 954	87 107	–	203 061
Ghana	864 010	5 697	379 773	1 249 480
Gross advances	**11 609 369**	**1 071 966**	**450 525**	**13 131 860**
Impairment provision	(264 101)	(119 344)	(20 940)	(404 385)
Net advances	**11 345 268**	**952 622**	**429 585**	**12 727 475**

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 2021	Formal P'000	Micro finance P'000	Informal P'000	Total gross advances P'000
Southern Africa	**8 824 725**	**58 109**	**11 237**	**8 894 071**
Botswana	2 990 320	35 790	–	3 026 110
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	**1 911 008**	**919 042**	**715 179**	**3 545 229**
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	105 964	68 296	–	174 260
Ghana	979 367	3 758	715 179	1 698 304
Gross advances	**10 735 733**	**977 151**	**726 416**	**12 439 300**
Impairment provision	(256 809)	(148 276)	(158 620)	(563 705)
Net advances	**10 478 924**	**828 875**	**567 796**	**11 875 595**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022	**Stage 1 P'000**	**Stage 2 P'000**	**Stage 3 P'000**	**Total ECL P'000**
Southern Africa				
Formal	**87 210**	**17 406**	**67 061**	**171 677**
Micro finance	**3 330**	**1 046**	**13 866**	**18 242**
Informal	**573**	**–**	**8 989**	**9 562**
	91 113	**18 452**	**89 916**	**199 481**
East and West Africa				
Formal	**28 909**	**14 761**	**48 754**	**92 424**
Micro finance	**38 688**	**9 384**	**53 030**	**101 102**
Informal	**5 769**	**–**	**5 609**	**11 378**
	73 366	**24 145**	**107 393**	**204 904**
Total Portfolio				
Formal	**116 119**	**32 167**	**115 815**	**264 101**
Micro finance	**42 018**	**10 430**	**66 896**	**119 344**
Informal	**6 342**	**–**	**14 598**	**20 940**
	164 479	**42 597**	**197 309**	**404 385**

	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	**12 019**	**145 233**	**221 279**
East and West Africa				
Formal	23 175	10 212	59 726	93 113
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	170 048	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**

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 2022	**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 2022	10 993 504	130 813	677 666	110 193	768 130	322 699	12 439 300	563 705
New assets originated	2 081 551	45 650	1 616 296	929 091	11 983 331	180 384	15 681 178	1 155 125
Payments and assets derecognised	(2 664 071)	(147 088)	(2 169 335)	(993 798)	(12 779 889)	162 744	(17 613 295)	(978 142)
Changes to PD and LGD rates	818 019	135 104	866 850	(17 880)	1 308 350	(84 984)	2 993 219	32 240
Write offs	-	-	14 991	14 991	(383 534)	(383 534)	(368 543)	(368 543)
As at 31 December 2022	**11 229 003**	**164 479**	**1 006 468**	**42 597**	**896 388**	**197 309**	**13 131 860**	**404 385**

	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	10 739 521	577 987
New assets originated	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	16 228	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**

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 2022	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	9 017 164	325 024	160 488	38 431	507 433	10 048 540
Micro finance	27 215	7 725	3 813	425	30 660	69 838
Informal	32 336	9 084	6 450	6 482	16 400	70 752
	9 076 715	**341 833**	**170 751**	**45 338**	**554 493**	**10 189 130**
East and West Africa						
Formal	910 798	62 116	51 317	491 904	144 694	1 660 829
Micro finance	646 668	69 170	37 097	23 693	125 500	902 128
Informal	320 609	13 725	10 589	12 028	22 822	379 773
	1 878 075	**145 011**	**99 003**	**527 625**	**293 016**	**2 942 730**

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	1 911 009
Micro finance	604 244	98 114	43 687	37 446	135 550	919 041
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**

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	2022 LGD	2021 LGD
Southern Africa	55%	65%
East and West Africa	82%	80%

PD represents 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 2022	PD 0	PD 1
Southern Africa	1%	3%
East and West Africa	15%	21%

Stage 1 – 12 month PD

31 December 2021	PD 0	PD 1
Southern Africa	1%	3%
East and West Africa	11%	20%

Lifetime PD

31 December 2022	PD 0	PD 1	PD 2	PD 3
Southern Africa	1%	3%	22%	27%
East and West Africa	15%	21%	42%	53%

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%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	10 189 130	25 765	20 700	0.3
East and West Africa	2 942 730	56 124	46 520	1.9
	13 131 860	81 889	67 220	0.6

31 December 2021	Total gross advances P'000	Restructured loans P'000	Expected Credit Loss held on Restructured loans P'000	Restructured %
Southern Africa	8 894 071	22 096	21 212	0.2
East and West Africa	3 545 229	89 124	81 994	2.5
	12 439 300	111 220	103 206	0.9

Re-phasing

The Group however does re-phase (re-age) accounts where installments are missed, through no fault of the borrower, and subsequently reinstated due to operational issues. Re-phasement involves altering the end date of the loan but not the number or amount of the installments. Refer to the analysis below.

Re-phased loans analysis

31 December 2022	Total gross advances P'000	Re-phased loans P'000	Expected Credit Loss held on Re-phased loans P'000	Re-phased %
Southern Africa	10 189 130	867 676	43 595	8.5
East and West Africa	2 942 730	410 767	35 275	14.0
	13 131 860	1 278 443	78 870	9.7

31 December 2021	Total gross advances P'000	Re-phased loans P'000	Expected Credit Loss held on Re-phased loans P'000	Re-phased %
Southern Africa	8 894 071	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

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 liquid assets to 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 measures below are in place to manage liquidity risk.

- Adequate liquidity risk 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 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. Reference is made to Note 18 and Note 36, where the Group was in breach of certain loan covenants in some subsidiaries and a scenario reflecting the impact on liquidity in the event that the particular lenders recall their facilities has been presented.

31 December 2022	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
Contractual maturities of financial liabilities				
Financial liabilities at fair value through profit or loss	386 348	561 091	253 656	1 201 095
Customer deposits	915 095	205 732	–	1 120 827
Cash collateral	18 476	–	–	18 476
Trade and other payables	715 490	–	–	715 490
Lease liabilities	31 085	46 421	56 674	134 180
Borrowings	4 649 371	4 572 605	749 166	9 971 142
	6 715 865	5 385 849	1 059 496	13 161 210

1 Financial risk management (continued)

1.3 Financial risk (continued)

1.3.2 Liquidity risk (continued)

31 December 2021	From 1 to 12 months P'000	From 1 year to 3 years P'000	From 3 years and above P'000	Total P'000
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**

1.3.3 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 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 regionally 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 rate risk arising from future commercial transactions and recognized assets and liabilities are managed through use of forward contracts, cross currency swaps and through borrowings denominated in the relevant foreign currencies.

Net foreign exchange gains for the year ended 31 December 2022 was P90.7 million (31 December 2021: P2.4million).

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 rates. 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 2022 Buckets P'000	< 1 month	1 – 12 months	> 1 year	Total
Rate sensitive assets				
Short term investments	214 883	–	–	214 883
Loans and advances to customers	22 929	250 063	12 454 483	12 727 475
	237 812	250 063	12 454 483	12 942 358
Rate sensitive financial liabilities	113 544	730 268	277 015	1 120 827
Customer deposits	785 728	5 318 258	1 923 854	8 027 840
Borrowings	899 272	6 048 526	2 200 869	9 148 667
Gap	(661 460)	(5 798 463)	10 253 614	3 793 691
Cumulative Gap	(661 460)	(6 459 923)	3 793 691	

31 December 2021 Buckets P'000	< 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**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 includes: -

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.
- They 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 putting in place:-

- 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; and
- Effective internal controls.

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. In 2021, the Group commenced the process of implementing appropriate fallback clauses for indexed facilities that were up for renewal. These clauses automatically switch the instrument from USD LIBOR to Secured Overnight Financing Rate (SOFR) as and when USD LIBOR ceases. According to the September 2022 announcement by the Financial Conduct Authority (FCA), USD LIBOR will continue to be published on a non-synthetic basis up to mid-2023. 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 2022. 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 for both existing and new contracts and the Group expects that EURIBOR will continue to exist as a benchmark rate for the foreseeable future.

Non-derivative Financial Liabilities

The Group's IBOR exposures to non-derivative financial liabilities are in floating-rate borrowings indexed to USD LIBOR and in bonds indexed to JIBAR. As indicated above, in 2021 the Group commenced the process of amending contractual terms for all USD LIBOR indexed exposures to incorporate fallback clauses that introduce SOFR.

Derivatives

The Group holds cross currency swaps and a total return swap for risk management purposes that are designated in hedging relationships. The cross currency swaps have floating legs that are indexed to USD LIBOR and the total return swap is indexed to JIBAR. All of the Group's derivative instruments are governed by contracts based on International Swaps and Derivatives Associations (ISDA)'s master agreements.

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 2022:

	USD LIBOR P'000	JIBAR P'000	Total P'000
Non-derivative financial liabilities			
Debt securities in issue	1 648 100	703 852	2 351 952
	1 648 100	**703 852**	**2 351 952**

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 2022.

	USD LIBOR P'000	JIBAR P'000	Total P'000
Derivatives held for risk management			
Total return swap	–	357 575	357 575
Cross currency swaps	981 497	–	981 497
	981 497	**357 575**	**1 339 072**

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 2022. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022	SA Rand P'000	Eswatini Emalangeni P'000	Namibian Dollar P'000	Lesotho Loti P'000	Tanzanian Shillings P'000	Ugandan Shillings P'000	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
Cash and similar instruments	7 887	24 484	240 939	3 467	143 674	53 708	225 597	23 519	17 010	53 408	146 568	–	–	80 511	–	1 020 772
Advances to customers	–	540 534	3 569 381	423 343	411 623	508 070	2 038 786	592 385	145 361	180 344	1 058 414	–	–	3 259 234	–	12 727 475
Investment in securities	–	–	487 195	–	–	–	–	–	–	–	204 906	–	–	–	–	692 101
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	–	1 178 969	–	–	1 178 969
Financial assets at fair value through OCI	–	–	–	–	–	–	–	–	–	–	–	–	43 107	–	–	43 107
Other receivables	790	2 201	282 320	1 694	22 598	6 972	44 738	12 310	1 662	1 863	22 099	–	–	80 286	–	479 533
Total assets	**8 677**	**567 219**	**4 579 835**	**428 504**	**577 895**	**568 750**	**2 309 121**	**628 214**	**164 033**	**235 615**	**1 431 987**	**–**	**1 222 076**	**3 420 031**	**–**	**16 141 957**
Financial liabilities at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	–	1 201 095	–	–	1 201 095
Customer deposits	–	–	402 312	–	45 515	–	567 822	–	45 854	38 385	20 940	–	–	–	–	1 120 828
Cash collateral	–	–	–	–	–	3 710	–	14 766	–	–	–	–	–	–	–	18 476
Borrowings	–	221 105	1 895 734	62 670	–	322 640	259 818	394 747	–	–	686 142	–	1 502 398	2 682 585	–	8 027 839
Trade and other payables	2 828	10 095	181 431	12 445	6 594	(3 602)	37 485	26 465	5 848	11 074	345 878	–	307	78 642	–	715 490
Total liabilities	2 828	231 200	2 479 477	75 115	52 109	322 748	865 125	435 978	51 702	49 459	1 052 960	–	2 703 800	2 761 227	–	11 083 728
Net exposure	**5 849**	**336 019**	**2 100 358**	**353 389**	**525 786**	**246 002**	**1 443 996**	**192 236**	**112 331**	**186 156**	**379 027**	**–**	**(1 481 724)**	**658 804**	**–**	**5 058 229**
Exchange rates at 31 December 2022 – mid: BWP 1.00 =	**1.33**	**1.33**	**1.33**	**1.33**	**182.47**	**290.83**	**4.99**	**9.66**	**83.48**	**35.05**	**0.80**	**15.46**	**0.08**	**1.00**	**0.07**	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	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
Cash and similar instruments	1 121	17 319	211 618	44 004	89 558	23 574	227 564	71 372	24 528	23 647	223 137	37	297 396	158 572	52	**1 413 499**
Advances to customers	–	488 571	3 163 786	330 568	417 985	448 105	1 770 352	617 556	56 585	143 476	1 508 789	–	–	2 929 822	–	**11 875 595**
Investment in securities	–	–	19 850	–	–	–	–	–	–	–	302 952	–	536 694	–	–	**859 496**
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	–	–	–	826 092	–	–	**826 092**
Financial assets at fair value through OCI	–	–	–	–	–	–	–	–	–	–	–	–	71 499	–	–	**71 499**
Other receivables	49	2 364	250 266	540	18 522	3 885	42 491	16 706	1 328	822	18 308	–	–	58 130	–	**413 411**
Total assets	**1 170**	**508 254**	**3 645 520**	**375 112**	**526 065**	**475 564**	**2 040 407**	**705 634**	**82 441**	**167 945**	**2 053 186**	**37**	**1 731 681**	**3 146 524**	**52**	**15 459 592**
Financial liabilities at fair value through profit or loss	76 753	–	–	–	–	–	–	–	–	–	–	–	731 868	–	–	**808 621**
Customer deposits	–	–	284 630	–	25 910	–	541 653	–	22 644	53 500	247 249	–	–	–	–	**1 175 586**
Cash collateral	–	–	–	–	–	7 078	–	14 444	–	–	–	–	–	–	–	**21 522**
Borrowings	28 939	138 240	1 460 346	77	–	201 042	196 499	404 207	–	–	850 279	–	783 047	3 318 092	–	**7 380 768**
Trade and other payables	3 176	6 337	176 144	3 988	23 193	7 366	23 519	37 782	2 187	7 957	562 136	–	13 046	99 029	–	**965 860**
Total liabilities	108 868	144 577	1 921 120	4 065	49 103	215 486	761 671	456 433	24 831	61 457	1 659 664	–	1 527 961	3 417 121	–	**10 352 357**
Net exposure	**(107 698)**	**363 677**	**1 724 400**	**371 047**	**476 962**	**260 078**	**1 278 736**	**249 201**	**57 610**	**106 488**	**393 522**	**37**	**203 720**	**(270 597)**	**52**	**5 107 235**
Exchange rates at 31 December 2021 – mid: BWP 1.00 =	**1.36**	**1.36**	**1.36**	**1.36**	**196.16**	**301.96**	**5.44**	**9.64**	**87.86**	**35.03**	**0.53**	**15.87**	**0.09**	**1.00**	**0.08**	

* The analysis above excludes non-monetary assets and liabilities and hence the "total assets" and "total liabilities" indicated above differ from the total amounts presented on the Statement of Financial Position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1 Financial risk management (continued)

1.4 Non-Financial Risk

Non-financial risks relate to operational risk that is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.

Compliance risk is the risk of legal or regulatory sanctions, material financial loss or damage to reputation that the Group may suffer as a result of failure to comply with laws, regulations, rules, self- regulatory organization standards and codes of conduct applicable to its activities. Legal Risk which is a secondary risk under Compliance Risk, refers to the risk of loss resulting from unenforceability or unlawfulness of contracts, incorrect or incomplete contract documentation, absence of the country's jurisprudence or precedent and penalties or damages as a result of legislative breaches. Money Laundering risk is also a secondary risk under Compliance Risk and refers to the risk that arises from the execution of transactions to eventually convert illegally obtained money into legal money by obscuring the true nature, source, location, ownership or movement of the proceeds of crime. Conduct risk refers to inappropriate execution of business activities resulting in adverse impact to the Group's clients, or the Group itself. During the fourth quarter, the Group introduced the Code of Conduct and its implementation is work in progress.

People risk is the exposure to financial losses or adverse enterprise outcomes arising from the Group's inability to attract, develop, manage and retain the required talent. This also includes breaches to employment legislation and practices, and mismanagement of employee relations.

Third-Party risk or Outsourcing Arrangements relates to the ineffective management of third-party relationships and the risks inherited through the association or services provided to the Group. A Third Party Risk Management Squad was established during the third quarter to develop and implement the Group's Third Party Risk Management Program.

Fraud Risk is the risk of unexpected financial or material loss as a result of fraudulent action of persons internal or external to the Group. The Group's Anti-Fraud and Corruption Policy and Whistle Blowing Policy are supported by an effective Fraud Risk Strategy covering Fraud Risk Prevention, Detection, Investigation and Recovery strategies.

Data Risk is the exposure to loss of value or reputation of the Group due to issues or limitations to the Group's ability to acquire, store, transform, move, use, destroy or protect the Group's data assets.

Digital Risk is the risk that arises from failure to leverage on digitalization activities across the Group that include channel and process implementation, integration, migration, optimization and rationalization.

Product risk relates to risks arising from the product life cycle-related activities and new product evolution and failure post-deployment. These include strategic considerations, product design, marketing, product delivery, origination or consummation, product use and duration and termination of the product — this results in high costs from redevelopment and delays in going to market.

Process Risk is the failure to process, manage and execute transactions and/or other processes correctly or appropriately. The Group is in the process of automating most of the back end processes to reduce process risk.

Health and Safety risk relates to an assessment of hazards that can lead to the harm, injury, death, or illness of employees across the Group. The Covid 19 Pandemic which is now under control was effectively managed as part of the Group's Health and Safety program.

Business Continuity or Disruption risk is the inability of the Group to effectively respond to a disruptive event or pandemic resulting in failure to continue with the provision of services to its clients or stakeholders.

1 Financial risk management (continued)

1.4 Non-Financial Risk (continued)

All the non-financial risks mentioned above and those not included are managed by the Group in accordance with the approved ERM 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 non-financial risk

The Group's approach to managing non-financial risk is to implement simple and appropriate fit for purpose risk management 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 sustainable shareholder value.

Frameworks Per Risk Type and Risk Governance

All Non-financial Risks that are at Primary Risk level have Risk Type Frameworks and supporting policies that outline the overall risk management approach for the respective non-financial risk and ensure that an effective risk management and measurement process is adopted throughout the Group. The risk frameworks per primary risk type are maintained by the Risk Owners and formally reviewed after every two years in line with the Group's risk appetite. Furthermore, the approval authority for these Risk Frameworks and revisions thereto are mandated to the Group Risk, Social and Ethics Committee.

The ultimate responsibility for non-financial risk management rests with the Board of Directors. The Group Risk and Social Ethics Committee (GRSEC) meets on a quarterly basis to review all other major risks including non-financial risks. At management level, the Group Management Risk Committee reviews and monitors significant risk events and ensures that the control environment is adequate to prevent recurrence.

It is the responsibility of the Risk Framework 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 all the risk management and internal control and to provide an opinion accordingly.

The management and measurement of non-financial risks

The Primary Risk Type Frameworks form the basis for the embedding of risk management into the day-to-day business processes and practices. The frameworks include qualitative and quantitative methodologies and tools to assist management to identify, assess and monitor all risks and to provide management with information for determining appropriate controls and mitigating measures.

The Group identifies and assesses non financial risks inherent in all material products, activities, processes and systems. It ensures that before new products, activities, processes and systems are introduced or undertaken, the risk inherent in them is subjected to adequate assessment by the risk owners and control owners. To achieve this, Risk and Control Self Assessments (RCSAs) and Risk Registers are effectively used across the Group. The purpose of the RCSA process is to identify and effectively manage risks that could jeopardise the achievement of business objectives. The RCSA process identifies the appropriate controls to mitigate risk, and allows the Group Risk Framework 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 required 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.

In addition to the above, Risk Appetite metrics are tracked quarterly across the Group and any breaches are documented with action plans being put in place.

Finally, the Group has an incident management process in place that is supported by the Incident Management Policy and Standards. Management and Staff proactively and appropriately manage incidents to minimize their impact. The Group tracks and maintains a database of all risk events, performs impact assessments and reviews risk and controls. All material risk events are recorded in the Risk Registers and reported to the Group Management Risk Committee and the Group Risk, Social and Ethics Committee on a quarterly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022	**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	43 107	–	–	–	43 107	–	–	43 107	43 107
Financial assets at fair value through profit or loss	–	1 178 969	–	–	1 178 969	–	1 178 969	–	1 178 969
	43 107	1 178 969	–	–	1 222 076	–	1 178 969	43 107	1 222 076
Financial assets not measured at fair value									
Cash and similar instruments	–	–	1 020 771	–	1 020 771	–	1 020 771	–	1 020 771
Investment in securities	–	–	692 101	–	692 101	–	692 101	–	692 101
Advances to customers	–	–	12 727 475	–	12 727 475	–	12 727 475	–	12 727 475
Other receivables	–	–	383 486	–	383 486	–	383 486	–	383 486
	–	–	14 823 833	–	14 823 833	–	14 823 833	–	14 823 833
Financial liabilities measured at fair value									
Financial liabilities at fair value through profit or loss	–	1 201 095	–	–	1 201 095	–	1 201 095	–	1 201 095
Financial liabilities not measured at fair value									
Trade and other payables	–	–	–	622 013	622 013	–	622 013	–	622 013
Customer deposits	–	–	–	1 120 827	1 120 827	–	1 120 827	–	1 120 827
Cash collateral	–	–	–	18 476	18 476	–	18 476	–	18 476
Borrowings	–	–	–	8 027 840	8 027 840	–	8 027 840	–	8 027 840
	–	–	–	9 789 155	9 789 156	–	9 789 155	–	9 789 156

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 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 similar instruments	–	–	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**

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 2022 P'000	31 December 2021 P'000
Financial assets at FVTOCI - Level 3		
Opening balance	71 499	59 408
(Loss)/gain included in other comprehensive income	(28 392)	12 091
	43 107	**71 499**

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 P0.4m and P2.2m 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 scheduled to occur in February 2023. The inputs include the number of shares and the price per share.	Level 3	Based on recent price per share.

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 2022 P'000	31 December 2021 P'000
Interest rate risk		
Average cost of borrowings	11.6%	9.4%
Effect of increase in average borrowing cost by 3% (2021: 1%)		
- increase in interest expense	61 000	51 950
Effect on profit before tax	7.6%	4.5%
Currency risk		
Effect of BWP appreciation by 1%		
– Effective movement in foreign exchange rates	(28 000)	(6 893)
– Effect on profit before tax	(3.5%)	(0.6%)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 6) 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:

December 2022	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 5%	(-) 5%	(+) 5%	(-) 5%
Stage 1: 12-month ECL allowance	164 479	173 328	112 068	254 751	110 646
Stage 2: Lifetime ECL allowance – not credit-impaired	42 597	54 466	32 901	57 446	39 921
Stage 3: Lifetime ECL allowance – credit-impaired	197 309	356 463	101 778	240 576	197 664
Total	**404 385**	**584 257**	**246 747**	**552 773**	**348 231**

December 2021	Existing impairment Provision	Impact on changes in LGD		Impact on changes in PD	
		(+) 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**

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

Mobile loans Expected Credit Losses

A significant portion of the Ghana portfolio relates to mobile loans. A third party previously undertook the ECL model development and implementation of this portfolio. Since Letshego did not have a full view of historical data to develop an internal model, a conservative approach was taken to measure expected credit losses. In Q4 2022, Letshego was able to obtain access to historical data to develop an internal model. The data showed gradual improvements in default roll rates as well as evidence of recoveries to develop a Loss Given Default model. Management was then comfortable to remove the conservative estimate and instead apply the internal advanced approach, which implemented IFRS 9 compliant models to provide a more accurate position.

Management Overlays applied on calculation of Expected Credit Losses

In Ghana ,on a monthly basis, a significant portion of the portfolio in Ghana experiences a delay in receipt of funds from a single Employer. This results in technical arrears for affected customers, which does not correctly reflect their credit risk profile as payments would have been deducted from their accounts. An overlay adjustment is applied to manually update the loan listing to correct these technical arrears. After this adjustment for affected accounts, the Expected Credit Loss calculations are then computed.

As at Year end Mozambique had a once-off operational incident occurred where a large payment from the government had been processed but did not reflect on the Letshego system due to technical issues with the file. This was resolved on 5th January 2023 and the payments correctly reflected by 7th January 2023. The 7th of January 2023 position was used to calculate the December 2022 ECL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Use of estimates and judgments (continued)

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 55% (2021: 53%) vesting probability. Based on historical experience, the estimated achievement of conditions is considered accurate. Refer to Note 21 on Share-Based Payment Scheme.

Sensitivity analysis

The table below details the impact on the profit following a deviation from the 55% (2021: 53%) vesting probability.

	31 December 2022 P'000	31 December 2021 P'000
Impact of a 10% deviation	**7 723**	7 444
Impact of a 25% deviation	**19 307**	18 611
Impact of a 50% deviation	**38 614**	37 222

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 P129 million (2021: P96 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. During the current reporting period the Group recognised additional deferred tax assets of approximately P41 million in its Tanzania operations owing to a revised outlook on the Group's ability to utilise assessed losses in that market.

		31 December 2022 P'000	31 December 2021 P'000
Deferred tax asset movement on tax losses			
Opening balance		**5 583**	–
Recognised during the year		**48 626**	5 583
Utilised during the year		**(5 583)**	–
Balance at the end of year		**48 626**	**5 583**
Summary of LHL Company tax losses recognised	**Year of expiry**		
December 2022	2027	**13 086**	6 301
		13 086	**6 301**

2 Use of estimates and judgments (continued)

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. Refer to Note 17 on Lease Liabilities.

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/behavioral 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. Refer to Note 22 on Interest Income at Effective Interest Rate.

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 the post Covid-19 environment, 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, with the exception of the goodwill that arose on the acquisition of Letshego Kenya Limited, which was determined to be impaired at the reporting date.

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 12 for the carrying value of each cash generating unit at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022		31 December 2021	
Entity	**Discount rates**	**Long term growth rates**	Discount rates	Long term growth rates
Letshego Holdings Namibia Limited	**18%**	**5%**	18%	5%
Letshego Tanzania Limited	**25%**	**5%**	25%	4%
Letshego Kenya Limited	**29%**	**5%**	19%	6%
Letshego Ghana Plc	**23%**	**17%**	22%	9%

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 2022 P'000	31 December 2021 P'000
3 Cash and similar instruments		
Cash at bank and on hand	**779 699**	1 217 269
Statutory cash reserve	**26 189**	58 206
Short term investments	**214 883**	138 025
	1 020 771	**1 413 500**
Cash and similar instruments for the purpose of the statement of cash flows	**994 582**	**1 355 294**

Short term investments constitute amounts held in fixed deposit with external financial institutions. The deposits attract interest ranging between 4% - 14% per annum (2021: 3% - 12% per annum). 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 not available for day to day operations.

P112 million (2021: P108 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 P205 million (2021: P135 million).

P355 million (2021: P338 million) of the borrowings in Namibia are secured by lien over Government instruments. The aggregated value of these Government instruments is P487 million (2021: P369 million).

	31 December 2022 P'000	31 December 2021 P'000
4 Investment securities		
Government and Corporate bonds: 2 – 5 year fixed-rate notes	**703 604**	832 116
Government and Corporate bonds: Above 5 year fixed-rate notes	**24 524**	27 380
	728 128	859 496
Less : Expected credit losses	**(36 027)**	–
	692 101	**859 496**

Treasury bonds are classified as financial assets measured 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. Interest income generated from the government and corporate bonds during the year amounted to P47 million (2021: P17.5 million). The expected credit losses for the instruments held in Namibia were assessed to be insignificant at the reporting date.

In light of economic challenges currently being faced in Ghana, the government announced a Domestic Debt Exchange Program (the GDDXP) in December 2022, which involved an invitation to holders of domestic notes and bonds to exchange these for a set of four new bond issuances maturing in 2027, 2029, 2032 and 2037. The government of Ghana however, did not make any pronouncements to the market concerning US dollar denominated bonds, apart from indicating an intention to restructure these in the future. On the 19th of December 2022, Letshego Ghana submitted an exchange offer to the government of Ghana, whereby domestic bonds with a principal and unpaid accrued interest value amounting to the equivalent of P41.3 million were offered to be exchanged for the new bonds. The settlement date when the Republic of Ghana issued the new bonds to eligible holders was the 21st of February 2023. At 31 December 2022, the old bonds were considered to be "credit-impaired" and expected credit losses of P12.5 million (2021: nil) were computed and recognised.

Although a restructure of US dollar denominated bonds is yet to occur, Letshego Ghana, which held bonds amounting to the equivalent of P196.4 million at the reporting date conducted an ECL assessment on the USD denominated bonds. Following the assessment, the Group categorised these bonds as "credit-impaired" and expected credit losses of the equivalent of P23.5 million were recognised in light of the repayment of these instruments being likely to be affected by the government of Ghana's current financial challenges. In arriving at the expected credit losses, a benchmarking exercise that took into consideration other comparable economies that went into a similar domestic debt restructuring was used, where; (i) there was no previous default history before debt restructure, (ii) there was no loss of principal values by participants and, (iii) there was existence of an active market for the bonds.

5 Financial assets at fair value through profit or loss

	31 December 2022 P'000	31 December 2021 P'000
Foreign currency swaps and forwards	1 178 969	826 092
	1 178 969	**826 092**

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 on 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.

6 Advances to customers

	31 December 2022 P'000	31 December 2021 P'000
Gross advances to customers	13 131 860	12 439 300
Less: Expected credit losses	(404 385)	(563 705)
– Stage 1	(164 479)	(130 813)
– Stage 2	(42 597)	(110 193)
– Stage 3	(197 309)	(322 699)
Net advances to customers	**12 727 475**	**11 875 595**

6.1 Maturity analysis

	31 December 2022 P'000	31 December 2021 P'000
Maturing within one year	504 033	1 217 280
Maturing after one year, within five years	5 612 721	9 683 393
Maturing after five years	7 015 106	1 538 627
Total gross advances to customers	**13 131 860**	**12 439 300**

Certain advances to customers are pledged as security to borrowings as set out in note 18.

6.2 Impairment of advances

	31 December 2022 P'000	31 December 2021 P'000
Balance at the beginning of the year	563 705	577 987
Impairment on formal loans	(145 696)	(4 820)
Impairment on informal loans	(13 624)	(9 462)
Balance at the end of the year	**404 385**	**563 705**

An analysis of net advances by credit risk, including related impairment provisions, is contained in Note 1.3.1 to these financial statements.

6.3 Charges to profit or loss

	31 December 2022 P'000	31 December 2021 P'000
Amounts written off, net of recoveries	(221 999)	2 914
Net remeasurement of allowance for expected credit losses: advances to customers	159 320	14 282
Net remeasurement of allowance for expected credit losses: investment securities	(36 027)	–
	(98 706)	**17 196**

7 Other receivables

	31 December 2022 P'000	31 December 2020 P'000
Deposits and prepayments	90 421	89 437
Receivable from insurance arrangements	316 524	269 544
Withholding tax and value added tax receivable	5 626	880
Deferred arrangement and commission fees	44 128	29 767
Settlement and clearing accounts	14 834	19 742
Other receivables	8 000	4 041
	479 533	**413 411**

Due to the short-term nature of the current receivables, their carrying amount approximates their fair value.

8 Financial assets at fair value through other comprehensive income

	31 December 2022 P'000	31 December 2020 P'000
Balance at the beginning of the year	71 499	59 408
Fair value (loss)/gain recognised through other comprehensive income	(28 392)	12 091
	43 107	**71 499**
Fair value (loss)/gain recognised through other comprehensive income – net of tax	(28 392)	9 431
% shareholding	1.5%	1.5%

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.

At 31 December 2022, based on a pre-money valuation of a pending rights issue transaction of the financial services organisation, the value of the Group's equity stake was determined to be approximately P43.1 million. This resulted in a fair value loss of P28.4 million being recognised through other comprehensive income in the current year. The fair value loss has been attributed to the general global economic conditions that have led to the collapse of technology company stocks in the recent past. No deferred tax asset was recognised on the fair value loss in light of the fact that it would be considered that it would not be probable that the unused capital loss arising could be utilised for capital gains tax purposes in the future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Property and equipment

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
Balance at 1 January 2022	16 742	124 768	105 951	16 887	94 704	359 052
Additions	4 246	30 604	20 481	–	16 189	71 520
Transfers	–	–	28 011	–	(110 893)	(82 882)
Forex translation	(1 569)	1 038	187	1 533	–	1 189
Balance at 31 December 2022	**19 419**	**156 410**	**154 630**	**18 420**	**–**	**348 879**
Accumulated depreciation						
Balance at 1 January 2022	11 433	99 047	75 750	–	–	186 230
Charge for the year	3 204	20 759	12 943	–	–	36 906
Forex translation	(1 238)	8 970	1 250	–	–	8 982
Balance at 31 December 2022	**13 399**	**128 776**	**89 943**	**–**	**–**	**232 118**
Net book value at						
31 December 2022	**6 020**	**27 634**	**64 687**	**18 420**	**–**	**116 761**

Transfers include the carrying amount of work-in-progress costs amounting to P66.7 million associated with internally generated assets, which were re-classified to intangible assets (Note 11) during the period, following their hardware and software components becoming more apparent with the ongoing development of the entity's digital transformation platforms, as well as an amount of P44.2 million relating to leasehold improvements and furniture and fittings that were brought into use, following commissioning of the Group's head office premises in Gaborone, Botswana.

Cost	Motor vehicles P'000	Computer equipment P'000	Office furniture & equipment P'000	Land & building P'000	Work in progress P'000	Total P'000
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**

10 Right-of-use assets

	Property P'000	Total P'000
Cost		
Balance at 1 January 2022	197 696	197 696
Additions	42 803	42 803
Forex translation	(5 293)	(5 293)
Balance at 31 December 2022	**235 206**	**235 206**
Accumulated depreciation		
Balance at 1 January 2022	98 940	98 940
Charge for the year	41 407	41 407
Forex translation	(6 795)	(6 795)
Balance at 31 December 2022	**133 552**	**133 552**
Net book value at 31 December 2022	**101 654**	**101 654**

	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Intangible assets

	Computer software P'000	Brand value P'000	Core deposit P'000	Work in progress P'000	Total P'000
Cost					
Balance at 1 January 2022	109 273	4 101	9 324	–	122 698
Additions	3 117	–	–	219 414	222 531
Transfers	51	–	–	66 699	66 750
Forex translation	(2 058)	(93)	(92)	–	(2 243)
Balance at 31 December 2022	**110 383**	**4 008**	**9 232**	**286 113**	**409 736**
Accumulated amortisation					
Balance at 1 January 2022	81 381	3 275	8 002	–	92 658
Charge for the year	10 776	330	610	–	11 716
Forex translation	(436)	–	–	–	(436)
Balance at 31 December 2022	**91 721**	**3 605**	**8 612**	**–**	**103 938**
Net book value at 31 December 2022	**18 662**	**403**	**620**	**286 113**	**305 798**

	Computer software P'000	Brand value P'000	Core deposit P'000	Work in progress 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
Transfer	(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**

12 GOODWILL

	31 December 2022 P'000	31 December 2021 P'000
Goodwill on the acquisition of:		
Letshego Holdings Namibia Limited	22 958	22 537
Letshego Tanzania Limited	2 221	2 066
Letshego Kenya Limited	–	32 885
Letshego Ghana Plc	6 731	10 227
	31 910	**67 715**
Movement in goodwill		
Balance at the beginning of the year	67 715	65 598
Impairment charge	(32 795)	–
Effect of exchange rate changes	(3 010)	2 117
Balance at the end of the year	**31 910**	**67 715**

The Group performs its impairment test annually. The Group assesses the recoverable amount of goodwill in respect of all cash generating units in order to determine indications of impairment. The key assumptions used to determine the recoverable amount for the different cash generating units are projected cash flows, pre-tax discount rates and a growth rate to extrapolate any cash flows anticipated beyond a 5 year period. Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currencies. An assessment was performed at year end using the respective entities' value-in-use to determine the recoverable amount and there were no indications of impairment for the above cash generating units, apart from Letshego Kenya Limited.

Letshego Kenya Limited

The Group has embarked on a significant repositioning of its business in Kenya, whereby the entity will shift its focus to growing a predominantly Deduction-at-Source (DAS) and Instant Loans book, with significant leverage on the digital platform that the Group is currently developing. Prior to this, the entity in Kenya was more involved in servicing the medium-to-small enterprise (MSE) sector, and this will be scaled down in a concerted manner to pave way for the new business model. The projected cash flows for the entity were updated to reflect the relatively longer period in which the new business model could take to begin to generate cash flows in excess of the historical performance of the former business. As a result of the assessment, management decided to be recognise an impairment charge against the carrying amount of the entire goodwill in the entity, which was previously measured at P32.8 million. This was following management taking note that the goodwill that was in place was recognised when the underlying entity in Kenya was acquired in 2012 and although the new business model that the subsidiary is embarking on has been successful for the Group in other markets, management decided to be prudent and acknowledge the business challenges that could come about from replicating the model in a new market. In the assumptions for the value-in-use, management used a discount rate of 29% and a growth rate of 5% to project cash flows beyond 5 years and arrive at the discounted cash flows of the business.

Letshego Holdings Namibia Limited

For the Namibia subsidiary, the Group's computation of recoverable amount achieved "headroom" above the carrying amount of goodwill recognised by approximately P102.4 million, following the application of a discount rates of 18% and cash flows forecasted beyond a five year period were extrapolated at a growth rates of 5%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Financial liabilities at fair value through profit or loss

	31 December 2022 P'000	31 December 2021 P'000
Foreign currency swaps and forwards	1 201 095	808 621
	1 201 095	**808 621**

In the current year P527.5m (2021:P333.3m) 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 on currency risk (the respective assets are disclosed in Note 5).

Letshego Holdings Limited and Letshego Financial Services (Proprietary) Limited Botswana 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 – Cross Currency Swaps	Currency	P'000
Letshego Holdings Limited	USD	532 633
Letshego Financial Services (Proprietary) Limited Botswana	USD	223 133

Entity – Foreign Currency Forward Contracts	Currency	P'000
Letshego Holdings Limited	USD	124 642
Letshego Financial Services (Proprietary) Limited Botswana	USD	320 687

	31 December 2022 P'000	31 December 2021 P'000
14 Customer deposits		
Demand accounts	60 904	38 501
Savings accounts	422 290	395 319
Call and term deposits	637 633	741 766
	1 120 827	**1 175 586**
These are deposits from customers and are short-term in nature.		
15 Cash collateral		
Balance at the beginning of the year	21 522	18 838
(Utilised)/raised during the year	(3 046)	2 684
Closing balance	**18 476**	**21 522**

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.

16 Trade and other payables

	31 December 2022 P'000	31 December 2021 P'000
Insurance premium payable	185 981	142 839
Payroll related accruals	23 662	14 400
Staff incentive accrual (note 16.1)	74 300	87 888
Accruals (note 16.2)	20 272	29 295
Guarantee funds	318 691	546 039
Other payables	73 407	124 493
Value added tax/withholding tax payable	19 177	20 906
	715 490	**965 860**

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 the short - term nature, their carrying amount approximates their fair value.

16.1 Movement in staff incentive accrual

	31 December 2022 P'000	31 December 2021 P'000
Balance at the beginning of the year	87 888	75 968
Current period charge (note 25)	61 734	74 905
Paid during the year	(75 322)	(62 985)
Balance at the end of the year	**74 300**	**87 888**

16.2 Movement in accruals

	31 December 2022 P'000	31 December 2021 P'000
Balance at the beginning of the year	29 295	58 167
Paid during the year	(9 023)	(28 872)
Balance at the end of the year	**20 272**	**29 295**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17 Lease liabilities

	Carrying amount at 01 Jan 2022	Additions	Interest expense	Cash payments	Forex translation	Carrying amount at 31 Dec 2022
Lease liabilities	99 646	42 803	12 524	(58 521)	1 501	97 953

	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

	31 December 2022 P'000	31 December 2021 P'000
The following are the amounts recognised in profit or loss:		
Depreciation expense of right of use asset	41 407	47 255
Interest expense on lease liabilities	12 524	14 930
Expense relating to short-term leases	6 862	6 638
Expense relating to low value assets	849	1 414
	61 642	70 237
Total cash outflows relating to leases were as follows:		
Leases accounted for under IFRS 16	58 521	62 969
Short-term leases	6 862	6 638
Leases relating to low value assets	849	1 414
	66 232	71 021

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 elects 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 2022.

18 Borrowings

	31 December 2022 P'000	31 December 2021 P'000
Commercial banks	4 283 243	3 015 603
Note programmes	1 677 771	2 070 285
Development Financial Institutions	2 066 826	2 294 880
Total borrowings	**8 027 840**	**7 380 768**
Contractual maturity analysis		
Maturing within one year	3 097 604	2 099 218
Maturing after one year within three years	3 603 774	3 387 421
Maturing after three years	1 326 462	1 894 129
Total borrowings	**8 027 840**	**7 380 768**
Contractual interest on borrowings to maturity at reporting date	1 943 302	462 074
Total contractual cash flows on interest bearing loans and borrowings	**9 971 142**	**7 842 842**
Movement in borrowings		
Balance at the beginning of the year	7 380 768	5 649 561
Finance obtained from third parties	2 186 243	2 817 052
Repayment of borrowings	(1 717 613)	(636 976)
Effect of exchange rate changes	178 442	(448 869)
Balance at the end of the year	**8 027 840**	**7 380 768**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Borrowings (continued)

Note programmes and bilateral placements

The Group has issued medium term note programmes of P1.68 billion (2021: P1.8 billion) of which P933 million (2021: P940 million) on the Botswana Stock Exchange, P343 million (2021: P576 million) on the Ghana Stock exchange and P287 million (2021: P171 million) listed on the Namibian Stock Exchange at the reporting date. Bilateral placements have been made by pension funds and certain investment houses in Eswatini amounting to P115m (2021: P79m).

Security

P1.3 billion (2021: P1.2 billion) of the borrowings are secured by the advances to customers of:

- Letshego Financial Services (Pty) Limited (Botswana).
- Letshego Holdings Limited. The aggregated net advances to customers of the above is P3.3 billion (2021: P2.9 billion) 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.

P3.2 billion (2021: P3.7 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.

P245 million (2021: P404 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

P1.7 billion (2021: P2.2billion) of the borrowings are at fixed interest rates, P5.1 billion (2021: P4.7 billion) are loans issued at variable interest rates and P1.2 billion (2021: P0.5 billion) are fixed via cross currency swaps. The variables rates include rates linked to each country's prime lending rate, Ghana reference rate, 3-months JIBAR, 3-months US LIBOR, Ghana 182 days T-bill and 3 months Bank of Botswana's rates.

Covenant breaches

As at the reporting date, the Group was in breach of certain loan covenants in relation to funding of P730m in certain subsidiary entities.

These were as follows:

Kenya – obligations amounting to P231m, covenant relating to profitability (Kenya had a negative return on assets) and non-performing loans ratio (PAR 90 and related provisions were greater than the target risk appetite level as defined by the lender);

Uganda – obligations amounting to P210m, covenant relating to portfolio quality. (i.e. Non-performing loans ratio and PAR 30 were greater than the target risk appetite level as defined by the lender);

Botswana – obligations of P96m, covenant defined on Letshego Holdings as the guarantor with respect to the net open foreign currency position on a consolidated basis (i.e foreign exchange risk exposure exceeded the covenant limit of 100%. This arose as a result of the Group's increased asset base denominated in foreign currency); and

Ghana - obligations of P193m, covenants on portfolio at risk, provisioning, open loan exposure, operating self-sufficiency, current ratio and forex exposure limit ratio were breached.

At the time of reporting, letters of no action were received from certain funders catering for obligations amounting to P373m (relating to Kenya – P163m, and Uganda - P210m) and discussions with the funders were ongoing to remediate the remaining breaches. All instances are anticipated to have been rectified by the end of the first half of 2023.

19 Stated capital

	31 December 2022 P'000	31 December 2021 P'000
Issued: 2,149,114,056 ordinary shares of no par value (2021: 2,144,045,175) of which 3,989,970 shares (2021: 9,222,720) are held as treasury shares	**899 571**	**882 224**

31 December 2022	**Number of shares in issue**	**Shares held as treasury shares**	**Total number of shares**
Number of shares at the beginning of the year ('000)	**2 134 822**	**9 223**	**2 144 045**
Shares issued during the year ('000)	**14 292**	**(9 223)**	**5 069**
Acquired and transferred to treasury shares during the year ('000)	**(3 990)**	**3 990**	**–**
Number of shares at the end of the year ('000)	**2 145 124**	**3 990**	**2 149 114**

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**

In terms of the Group LTIP (note 21), 14.292 million shares (2021: 5.348 million) vested at Group level during the current year and were issued from the balance of treasury shares and an issue of new shares. Therefore the number of shares in issue increased to 2,145 million (2021: 2,135 million) and shares held as treasury shares reduced to 3.990 million (2021: 9.223 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 2022 P'000	31 December 2021 P'000
Capitalisation ratio	**31%**	31%
Return on equity	**8%**	14%
Debt to equity	**142%**	149%

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Legal reserve

	31 December 2022 P'000	31 December 2021 P'000
Balance at the beginning of the year	**265 244**	214 835
Movement for the period – allocated from retained earnings	**48 536**	50 409
Balance at the end of the year	**313 780**	**265 244**

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-based payment 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 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 2022, 132,533,060 total awards were outstanding (2021: 149,027,569) at grant date share prices of P0.71, P0.75 and P1.41 for 2020, 2021 and 2022 awards, respectively (31 December 2021: P1.65, P0,71 and P0.75 for 2019, 2020 and 2021 awards respectively).

	31 December 2022		31 December 2021	
Reconciliation of outstanding awards	**Fair values**	**No. of awards**	Fair values	No. of awards
Outstanding at the beginning of the year	**P1.65/P0.71/P0.75**	**149 027 569**	P1.88/P1.65/P0.71	108 526 020
Granted during the year	**P1.41**	**28 125 180**	0.75	59 168 876
Exercised during the year	**P1.65**	**(14 291 633)**	1.88	(5 348 420)
Forfeited due to not meeting performance	**P1.65**	**(6 651 541)**	1.88	(4 375 980)
Forfeited due to resignations	**P0.71/P0.75/P1.41**	**(23 676 515)**	P1.65/P0.71/P0.75	(8 942 927)
Outstanding at the end of the year	**P0.71/P0.75/P1.41**	**132 533 060**	**P1.65/P0.71/P0.75**	**149 027 569**

The weighted average share price at the date of exercise of these options was P1.41 (2021: P0.75)

	31 December 2022 P'000	31 December 2021 P'000
Movement in share based payment reserve		
Opening balance	**39 907**	31 295
Charge during the year (note 25)	**19 914**	18 667
New shares issue from treasury shares during the year	**(17 347)**	(10 055)
Closing balance	**42 474**	**39 907**

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	31 December 2022 P'000	31 December 2021 P'000
22 Interest income at effective interest rate		
Advances to customers	**2 620 123**	2 588 409
Interest income on risk informal/mobile loans	**96 874**	92 879
Interest income on non-risk informal/mobile loans	**349 122**	387 166
Interest income from deposits with banks, including investment securities	**79 553**	42 057
	3 145 672	**3 110 511**
23 Interest expense at effective interest rate		
Overdraft facilities and term loans	**1 027 556**	731 942
Interest adjustment on non-risk informal/mobile loans	**349 122**	387 166
	1 376 678	**1 119 108**
23.1 Other interest expense		
Interest expense on leases	**12 524**	**14 930**
24 Fee and commission income		
Administration fees – lending	**83 979**	68 310
Credit life insurance commission	**5 575**	15 371
	89 554	**83 681**
24.1 Other operating income		
Early settlement fees	**60 248**	53 805
Income from insurance arrangements	**243 496**	200 664
Market adjustment gain on interest currency swaps	**8 210**	13 226
Net foreign exchange gain	**90 696**	2 361
Sundry income	**37 153**	16 548
	439 803	**286 604**
25 Employee benefits		
Salaries and wages	**454 637**	411 292
Staff incentive (note 16.1)	**61 734**	74 905
Staff recruitment costs	**1 096**	1 861
Staff pension fund contribution	**38 282**	31 538
Directors' remuneration – for management services (executive)	**10 276**	7 978
Long term incentive plan (note 21)	**19 914**	18 667
	585 939	**546 241**

	31 December 2022 P'000	31 December 2021 P'000
26 Other operating expenses		
Accounting and secretarial fees	**227**	764
Advertising	**40 441**	26 656
Audit fees	**7 358**	6 661
– Audit services	**7 191**	6 514
– Covenant compliance fees	**167**	147
Bank charges	**8 859**	8 693
Computer expenses	**9 755**	13 139
Consultancy fees	**56 163**	49 805
Corporate social responsibility	**1 961**	1 689
Collection commission	**72 159**	75 909
Direct costs	**29 343**	36 844
Direct costs - informal loans	**36 142**	23 922
Depreciation and amortization - property & equipment, intangible assets	**48 622**	51 426
Depreciation - right of use assets	**41 407**	47 255
Directors' fees – non executive	**9 985**	9 850
Directors' fees – subsidiary boards	**8 184**	9 253
Government levies	**22 673**	31 024
Impairment of goodwill	**32 795**	–
Insurance	**17 989**	16 798
Insurance - customer short term	**60 074**	55 194
Office expenses	**24 638**	22 500
Short term leases - property	**6 862**	6 638
Rental expense for low value assets	**849**	1 414
Other operating expenses	**155 639**	91 156
– Entertainment	**531**	305
– IT costs	**505**	6 454
– Loss on disposal of plant and equipment, intangible assets	**–**	2 462
– Motor vehicle expenses	**11 715**	8 516
– Printing and Stationery	**6 775**	7 996
– Repairs and Maintenance	**10 250**	6 060
– Storage costs	**3 324**	2 848
– Subscriptions and licenses	**27 179**	8 099
– Other expenses	**95 360**	48 416
Payroll administration costs	**2 131**	1 093
Professional fees	**46 704**	34 596
Telephone and postage	**36 536**	32 418
Travel	**22 431**	16 272
	799 927	**670 969**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	31 December 2022 P'000	31 December 2021 P'000
27 Taxation		
Amounts recognised in profit or loss		
Current taxation	**370 475**	**383 684**
– Basic taxation	**332 311**	299 704
– WHT tax credits adjustments	**40 275**	86 653
– Release of prior year's tax provision	**(2 111)**	(2 673)
Deferred tax	**(38 164)**	**33 559**
– Origination and reversal of temporary differences	**(38 164)**	33 559
	332 311	**417 243**
27.1 Deferred taxation		
Balance at the beginning of the year	**90 580**	124 139
Current year movement	**38 164**	(33 559)
Balance at the end of the year	**128 744**	**90 580**
Deferred tax assets	**129 083**	95 748
Deferred tax liabilities	**(339)**	(5 168)
	128 744	**90 580**

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 2022 P'000	31 December 2021 P'000
27 Taxation (continued)		
27.1 Deferred taxation (continued)		
Deferred taxation arises from temporary differences on the following items:		
Property and equipment	**(3 841)**	3 560
Lease liability	**13 697**	5 320
Right of use asset	**(8 195)**	(9 471)
Share based payment provision	**8 702**	10 334
Staff incentive provision	**13 286**	12 095
Expected credit losses	**61 102**	69 680
Taxation losses	**48 626**	5 583
Leave pay provision	**2 967**	580
Net deferred expenditure	**3 470**	4 747
Prepayments	**(11 438)**	(13 211)
Unrealised exchange (gain)/loss	**(2 215)**	6 069
Provisions	**3 537**	4 426
Financial assets and liabilities at fair value	**(954)**	(9 132)
	128 744	**90 580**
27.2 Reconciliation of current taxation		
Profit before taxation	**801 255**	1 146 744
Tax calculated at Botswana statutory rate of 22%	**176 276**	252 284
Effect of net foreign deductions at tax rate of 15%	**14 833**	4 457
Effect of tax rates in foreign jurisdictions	**57 520**	44 262
Expenses and revenues not deductible for tax purposes	**45 518**	32 260
WHT tax credits adjustments	**40 275**	86 653
Release of prior year's provision	**(2 111)**	(2 673)
	332 311	**417 243**
27.3 Reconciliation of income tax paid		
Opening balance - net of receivables and payables	**(38 499)**	424
Income tax charge for the year	**370 475**	**383 684**
– Tax charge per profit or loss	**332 311**	417 243
– Movement in deferred tax asset	**33 335**	(28 391)
– Movement in deferred tax liabilities	**4 829**	(5 168)
Closing balance – net of receivables and payables	**13 028**	38 499
Income tax paid	**345 004**	**422 607**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022 P'000	31 December 2021 P'000
Earnings attributable to ordinary equity holders of the parent	**401 903**	**671 554**
Weighted number of shares:		
At beginning of year	**2 134 822**	2 128 295
Effect of shares issued (31 December 2022 – 14,292 million shares: 31 December 2021 – 5,348 million shares)	**12 138**	4 513
Weighted number of shares at end of year	**2 146 960**	2 132 808
Basic earnings per share (thebe)	**18.7**	**31.5**
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	**2 146 960**	2 132 808
Dilution effect – number of shares (note 21)	**132 533**	149 028
	2 279 493	2 281 836
Diluted earnings per share (thebe)	**17.6**	**29.4**

28 Earnings per share (continued)

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 2022	**Gross**	**Tax**	**Net**
Earnings attributable to ordinary equity holders of the parent	**401 903**	**–**	**401 903**
Impairment of goodwill	**32 795**	**–**	**32 795**
Headline earnings	**434 698**	**–**	**434 698**
Headline earnings per share (thebe)			**20.2**
Diluted headline earnings per share (thebe)			**19.1**

There was no impact on non-controlling interest on headline earnings for the year ended 31 December 2022.

31 December 2021	Gross	Tax	Net
Earnings attributable to ordinary equity holders of the parent	**671 554**	**–**	**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	**674 016**	**(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.

29 Dividend paid

	31 December 2022 P'000	31 December 2021 P'000
Previous year final dividend paid during the year	**208 077**	177 049
Interim dividend paid	**124 649**	155 842
Total dividend paid to equity holders	**332 726**	**332 891**
Dividends per share: Interim (thebe) – paid	**5.8**	7.3
: Final (thebe) – proposed (note 33)	**9.7**	9.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022	**Botswana P'000**	**Namibia P'000**	**Mozambique P'000**	**Lesotho P'000**	**Eswatini P'000**	**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**
Operating income	710 990	565 913	444 404	81 908	108 284	107 757	19 948	158 278	154 456	81 632	207 446	(355 189)	2 285 827
Profit/(loss) before taxation	521 325	322 431	231 527	56 363	70 072	21 583	1 764	47 313	20 534	23 492	31 462	(546 611)	801 255
Taxation – consolidated													(332 311)
Profit – consolidated													468 944
Gross Advances to customers	3 335 195	3 605 877	2 094 444	430 432	564 812	635 150	150 069	535 146	469 824	203 061	1 107 850	–	13 131 860
Impairment provisions	(75 962)	(36 496)	(55 658)	(7 088)	(24 277)	(42 764)	(4 708)	(27 077)	(58 200)	(22 717)	(49 438)	–	(404 385)
Net Advances	3 259 233	3 569 381	2 038 786	423 344	540 535	592 386	145 361	508 069	411 624	180 344	1 058 412	–	12 727 475
Total assets	4 071 814	4 321 279	1 496 544	225 178	464 014	538 578	24 572	420 589	470 342	15 191	1 117 813	3 742 702	16 908 616
Borrowings	1 802 404	1 895 734	259 818	62 670	221 105	394 747	–	322 640	–	–	686 142	2 382 580	8 027 840
Total liabilities	2 423 918	2 486 490	896 555	76 732	236 096	435 978	53 927	333 271	67 938	58 006	1 068 194	3 113 341	11 250 446

31 December 2021	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Eswatini P'000	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
Operating income	679 180	539 233	415 987	89 917	88 414	139 549	8 604	159 363	143 836	73 916	233 885	(225 126)	2 346 758
Profit/(loss) before taxation	495 615	331 030	284 717	47 613	30 103	149 352	361	52 915	15 171	6 252	95 968	(362 353)	1 146 744
Taxation – consolidated													(417 243)
Profit – consolidated													729 501
Gross Advances to customers	3 026 111	3 198 250	1 789 702	352 248	527 761	666 612	59 648	478 787	467 618	174 259	1 698 304	–	12 439 300
Impairment provisions	(106 595)	(34 463)	(19 350)	(21 680)	(39 191)	(49 056)	(3 063)	(30 682)	(49 632)	(30 784)	(179 209)	–	(563 705)
Net Advances	2 919 516	3 163 787	1 770 352	330 568	488 570	617 556	56 585	448 105	417 986	143 475	1 519 095	–	11 875 595
Total assets	3 363 272	4 087 930	2 074 472	384 151	522 744	774 337	87 122	503 703	589 318	178 903	2 312 965	1 180 524	16 059 441
Borrowings	1 389 936	1 488 326	269 826	77	138 240	404 207	–	201 042	–	–	1 246 823	2 242 291	7 380 768
Total liabilities	1 688 902	1 957 440	901 509	9 395	148 063	463 386	26 322	216 161	79 702	63 803	2 074 245	2 924 511	10 553 439

* Included in Holding company or eliminations are intragroup charges between the Holding Company and subsidiary entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30 Segment information (continued)

30.2 Disaggregated revenue information

31 December 2022	Botswana P'000	Namibia P'000	Mozambique P'000	Lesotho P'000	Eswatini P'000	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
Interest income at effective interest rate	**756 665**	**504 165**	**558 649**	**102 964**	**133 886**	**147 381**	**24 411**	**193 550**	**136 662**	**85 379**	**654 527**	**(152 567)**	**3 145 672**
Interest expense at effective interest rate	**(167 656)**	**(160 660)**	**(170 734)**	**(12 091)**	**(28 525)**	**(60 465)**	**(8 693)**	**(39 492)**	**(514)**	**(5 090)**	**(540 692)**	**(182 066)**	**(1 376 678)**
Other interest expense	**(2 000)**	**(526)**	**(2 579)**	**(1 225)**	**(544)**	**(1 491)**	**(285)**	**(303)**	**(105)**	**–**	**(500)**	**(2 966)**	**(12 524)**
Net interest income	**587 009**	**342 979**	**385 336**	**89 648**	**104 817**	**85 425**	**15 433**	**153 755**	**136 043**	**80 289**	**113 335**	**(337 599)**	**1 756 470**
Fee and commission income	**(2)**	**34 906**	**16 416**	**–**	**–**	**8 966**	**1 994**	**–**	**395**	**1 098**	**25 699**	**82**	**89 554**
Other operating income	**123 983**	**188 028**	**42 652**	**(7 740)**	**3 467**	**13 366**	**2 521**	**4 523**	**18 018**	**245**	**68 412**	**(17 672)**	**439 803**
Operating income	**710 990**	**565 913**	**444 404**	**81 908**	**108 284**	**107 757**	**19 948**	**158 278**	**154 456**	**81 632**	**207 446**	**(355 189)**	**2 285 827**
31 December 2021													
Interest income at effective interest rate	711 832	453 990	507 471	117 931	107 812	171 827	10 591	182 005	130 193	76 960	750 534	(110 635)	**3 110 511**
Interest expense at effective interest rate	(125 822)	(90 842)	(138 165)	(22 756)	(29 604)	(55 786)	(2 186)	(34 620)	(612)	(3 913)	(546 625)	(68 177)	**(1 119 108)**
Other interest expense	(12 161)	(64)	(3 026)	(5 342)	(1 170)	(1 293)	(792)	7 769	3 547	313	(9 164)	6 453	**(14 930)**
Net interest income	**573 849**	**363 084**	**366 280**	**89 833**	**77 038**	**114 748**	**7 613**	**155 154**	**133 128**	**73 360**	**194 745**	**(172 359)**	**1 976 473**
Fee and commission income	–	4 778	28 439	–	–	12 050	269	–	139	556	37 450	–	**83 681**
Other operating income	105 331	171 371	21 268	84	11 376	12 751	722	4 209	10 569	–	1 690	(52 767)	**286 604**
Operating income	**679 180**	**539 233**	**415 987**	**89 917**	**88 414**	**139 549**	**8 604**	**159 363**	**143 836**	**73 916**	**233 885**	**(225 126)**	**2 346 758**

* Included in Holding company or eliminations are intragroup charges between the Holding Company and subsidiary entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 solutions. 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 (LFSB) are insured through Botswana Life Insurance Limited which is a subsidiary of BIHL and commission of P15 million was earned by LFSB during the year (2021: nil).

Letshego Holdings Limited also provides guarantees to its subsidiary companies for purposes of credit enhancement at 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 2022 P'000	31 December 2021 P'000
31.2 Compensation paid to key management personnel (executive directors)		
Paid during the period:		
– Short-term employee benefits	**10 276**	7 978
	10 276	**7 978**
A total of 5,457,386 ordinary shares, at an exercise value of BWP7.7 million, were granted to Executives in terms of the Long Term Incentive Scheme (LTIP) for the 31 December 2022 financial year (2021: 7,840,198 ordinary shares, at an exercise value of BWP5.9million). 6,161,972 ordinary shares (at a market value of BWP11.1 million) relating to Executives vested and were exercised during the year (2021: nil)		
32 Capital commitments		
Authorised by the directors:		
– Not contracted for	**347 209**	**311 169**

P69 million of the P347.2 million Capital Commitments for the following year relates to expenditure earmarked for the Group's internally developed digital retail financial services platform. The remainder relates to anticipated acquisitions of computer equipment, leasehold improvements and other software developments within the Group. 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: 9.7 thebe per share) was declared on 28 February 2023 and will be paid on or around 26 June 2023.

Ghana investment in government securities

Reference is be made to Note 4, where the Group's Ghana subsidiary submitted an exchange offer for old government bonds amounting to P41.3 million under the country's Domestic Debt Exchange Program (GDDXP) on 19 December 2022. Subsequent to this, on 21 February 2023, the government of Ghana accepted the offer by issuing new bonds to Letshego Ghana. The derecognition of the old bonds, subsequent recognition of the new bonds and accounting for any derecognition loss in profit or loss as a result of the renegotiation or modification of the contractual cash flows of the bonds has been determined to be a non-adjusting event after the reporting period. Management is still in the process of quantifying the impact of the modification. However, as at the reporting date, an expected credit loss allowance was recognised pertaining to the old bonds held.

Outlook post year-end

Ripples of the Russia-Ukraine War

The global economy suffered setbacks from the impact of the Russia-Ukraine war in 2022. Evolution of the war and resultant geopolitical developments pose the highest downside risks to the global economy in the near term to 2024. Energy crisis, escalating cost of living, food supply crisis and risk of social unrest are the immediate thematic high probability - high impact risks to the global economic prospects in 2023. Sub-Saharan African economies are tightly tied to the global economic developments and therefore the slowdown and highly probable recession in advanced economies and emerging markets, tightening global financial conditions, and volatile commodity prices will weigh heavily on economic prospects for our presence countries in 2023. Local social-political and security risks prevailing in some markets will likely exacerbate the risks to the near term economic output for the countries. Macroeconomic conditions will remain tight. We expect much more muted GDP output for most markets following a deceleration of the recovery momentum from 2022. Inflation rates will remain elevated and above Central Banks' targets for most countries driven mainly by import inflation. Interest rates are expected to continue on the rising trend from 2022. Currencies will take a knock as well in the near term. Policy space to address the socio economic challenges across most of the markets is thin and therefore we expect fiscal policy consolidation to continue well into 2024. An estimate of the impact of this on the financial statements of the Group however could not be determined at the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022 % holding**	31 December 2021 % 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	Investment holding company	**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) as it includes an investment property in Namibia.

	31 December 2022 P'000	31 December 2021 P'000
Summarised statement of financial position		
Assets	**4 156 855**	4 068 106
Liabilities	**1 905 903**	2 070 605
Net assets	**2 250 952**	**1 997 501**
Accumulated non-controlling interest	**411 967**	**390 119**
Summarised statement of profit or loss and other comprehensive income		
Revenue	**727 099**	630 141
Profit for the year	**264 810**	226 791
Profit allocated to non-controlling interest	**58 258**	**49 894**
Dividends paid to non-controlling interest	**44 754**	**31 755**
Summarised statement of cash flows		
Cash flows from operating activities	**(58 667)**	(527 593)
Cash flows used in investing activities	**128 124**	(6 496)
Cash flows from financing activities	**(44 332)**	400 637
	25 125	**(133 452)**

Non-controlling interest in the below markets are not material to the Group and their carrying values were as follows:

	31 December 2022 P'000	31 December 2021 P'000
Non-controlling interest		
Letshego Financial Services Lesotho	**7 586**	6 920
Letshego Financial Services Mozambique, SA	**3 555**	2 674
Letshego Financial Services Swaziland Limited	**34 060**	28 780
Letshego Uganda Limited	**8 765**	10 659
	53 966	**49 033**
Total accumulated non-controlling interest	**465 933**	**439 152**

Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets to settle liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2022 P'000	31 December 2021 P'000
Total assets	247 060	218 201
Total liabilities	129 971	95 288
Net assets	**117 089**	**122 913**

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 7 and note 16. 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 2022	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and similar instruments	1 020 771	–	1 020 771
Investment securities	–	692 101	692 101
Financial assets at fair value through profit or loss	379 231	799 738	1 178 969
Advances to customers	504 033	12 223 442	12 727 475
Other receivables	479 533	–	479 533
Financial assets at fair value through other comprehensive income	43 107	–	43 107
Income tax receivable	81 454	–	81 454
Property and equipment	–	116 761	116 761
Right-of-use assets	–	101 654	101 654
Intangible assets	–	305 798	305 798
Goodwill	–	31 910	31 910
Deferred tax assets	–	129 083	129 083
Total assets	**2 508 129**	**14 400 487**	**16 908 616**
Liabilities			
Financial liabilities at fair value through profit or loss	386 348	814 747	1 201 095
Customer deposits	843 812	277 015	1 120 827
Cash collateral	18 476	–	18 476
Trade and other payables	715 490	–	715 490
Lease liabilities	20 055	77 898	97 953
Income tax payable	68 426	–	68 426
Borrowings	3 097 604	4 930 236	8 027 840
Deferred tax liabilities	–	339	339
Total liabilities	**5 150 211**	**6 100 235**	**11 250 446**
Net	**(2 642 082)**	**8 300 252**	**5 658 170**

The Group's operations and nature of business intrinsically creates a short-term maturity mismatch between assets and liabilities. This is largely due to average customer loans and advances term out to tenors that are greater than 3 years, whilst a significant portion of the Group's external liabilities' tenors are limited to 3 years. The result is a short-term maturity mismatch which the Group resolves by proactively managing all up-coming debt maturities that are ear-marked for rollover and maintaining a robust funding pipeline to close out any short-term gaps in liquidity created due to the maturity mismatch.

Reference is made to Note 18, whereby the Group is in breach of certain covenants in some subsidiary entities. Historically the Group has managed to remediate similar matters without the funding counterparties recalling facilities extended. In the unlikely event of this occurring, total Borrowings amounting to P357 million that would have been classified under the "After 12 Months" category have been reflected under the "Within 12 Months" category in the above analysis. The Group, however, currently has sufficient liquid resources and access to a funding pipeline to pay down these obligations upon them falling due. Further comfort is derived from the Group's engagement with these funders who have not indicated any intent to terminate the loans or re-call the disbursed amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 Maturity analysis of assets and liabilities (continued)

As at 31 December 2021	Within 12 months P'000	After 12 months P'000	Total P'000
Assets			
Cash and similar instruments	1 413 500	–	1 413 500
Investment securities	–	859 496	859 496
Advances to customers	587 481	11 288 114	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	**2 991 091**	**13 068 350**	**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	2 099 218	5 281 550	7 380 768
Deferred tax liabilities	–	5 168	5 168
Total liabilities	**4 546 215**	**6 007 224**	**10 553 439**
Net	**(1 555 124)**	**7 061 126**	**5 506 002**

GROUP **VALUE ADDED STATEMENT**

For the year ended 31 December 2022

	31 December 2022 P'000	31 December 2021 P'000
Value added		
Value added is the wealth the Group has created by providing loans to clients		
Interest income	**3 145 672**	**3 110 511**
Cost of services	**(1 389 202)**	(1 134 038)
Value added services	**1 756 470**	1 976 473
Fee and commission income	**89 554**	83 681
Other operating income	**439 803**	286 604
Other operating costs	**(709 898)**	(572 288)
Impairment of advances and treasury bonds	**(98 706)**	17 196
	1 477 223	**1 791 666**
Value allocated		
To employees		
Staff costs	**585 939**	546 241
To expansion and growth		
Retained income	**136 218**	396 610
Depreciation	**78 313**	84 893
Amortisation	**11 716**	13 788
Deferred tax	**(38 164)**	33 559
	188 083	**528 850**
To Government		
Taxation	**370 475**	383 684
To providers of capital		
Dividends to shareholders	**332 726**	332 891
	1 477 223	**1 791 666**
Summary	**%**	%
Employees	**39.7**	30.5
Expansion and growth	**12.7**	29.5
Government	**25.1**	21.4
Providers of capital	**22.5**	18.6
	100.0	**100.0**

FIVE YEAR **FINANCIAL HISTORY**

Statements of financial position

	2022 December P'000	2021 December P'000	Restated 2020 December P'000	Restated 2019 December P'000	2018 December P'000
Assets					
Cash and cash equivalents	**1 020 771**	1 413 500	975 656	1 035 513	1 188 402
Investment securities	**692 101**	859 496	68 208	–	–
Financial assets at fair value through profit or loss	**1 178 969**	826 092	140 804	–	–
Advances to customers	**12 727 475**	11 875 595	10 161 534	9 071 484	8 698 831
Other receivables	**479 533**	413 411	263 202	247 996	252 491
Financial assets at fair value through OCI	**43 107**	71 499	59 408	53 591	53 591
Income tax receivable	**81 454**	134 767	102 633	82 741	19 074
Property and equipment	**116 761**	172 822	94 229	99 671	80 532
Right-of-use assets	**101 654**	98 756	131 703	61 436	–
Intangible assets	**305 798**	30 040	39 091	45 221	45 488
Goodwill	**31 910**	67 715	65 598	68 233	106 229
Deferred tax assets	**129 083**	95 748	124 139	144 699	211 651
Total assets	**16 908 616**	**16 059 441**	**12 226 205**	**10 910 585**	**10 656 289**
Liabilities					
Financial liabilities at fair value through profit or loss	**1 201 095**	808 621	152 855	15 390	–
Customers deposits	**1 120 827**	1 175 586	664 393	426 673	497 718
Cash collateral	**18 476**	21 522	18 838	21 721	27 028
Income tax payable	**68 426**	96 268	103 057	239 743	232 132
Trade and other payables	**715 490**	965 860	714 548	553 772	492 225
Lease liabilities	**97 953**	99 646	133 377	64 760	–
Borrowings	**8 027 840**	7 380 768	5 649 561	4 966 785	5 329 319
Deferred tax liabilities	**339**	5 168	–	805	3 205
Total liabilities	**11 250 446**	**10 553 439**	**7 436 629**	**6 289 649**	**6 581 627**
Shareholders' equity					
Stated capital	**899 571**	882 224	872 169	862 621	862 621
Foreign currency translation reserve	**(492 653)**	(557 341)	(885 673)	(675 885)	(696 276)
Legal reserve	**313 780**	265 244	214 835	195 793	73 519
Fair value adjustment reserve	**(13 144)**	15 248	5 817	–	–
Share based payment reserve	**42 474**	39 907	31 295	24 304	18 089
Retained earnings	**4 442 209**	4 421 568	4 133 314	3 823 280	3 500 317
Total equity attributable to equity holders of the company	**5 192 237**	**5 066 850**	**4 371 757**	**4 230 113**	**3 758 270**
Non-controlling interests	**465 933**	439 152	417 819	390 823	316 392
Total shareholders' equity	**5 658 170**	**5 506 002**	**4 789 576**	**4 620 936**	**4 074 662**
Total equity and liabilities	**16 908 616**	**16 059 441**	**12 226 205**	**10 910 585**	**10 656 289**

FIVE YEAR FINANCIAL HISTORY (CONTINUED)

Statements of profit or loss and other comprehensive income

	2022 December P'000	2021 December P'000	Restated 2020 December P'000	Restated 2019 December P'000	2018 December P'000
Interest income at effective interest rate	**3 145 672**	3 110 511	2 712 278	2 974 839	2 718 257
Interest expense	**(1 389 202)**	(1 134 038)	(850 964)	(923 814)	(654 079)
Net interest income	**1 756 470**	**1 976 473**	**1 861 314**	**2 051 025**	**2 064 178**
Fee and commission income	**89 554**	83 681	71 033	59 451	30 735
Other operating income	**439 803**	286 604	212 536	273 018	267 421
Total income	**2 285 827**	**2 346 758**	**2 144 883**	**2 383 494**	**2 362 334**
Employee benefits	**(585 939)**	(546 241)	(493 497)	(454 023)	(390 177)
Other operating costs	**(799 927)**	(670 969)	(595 308)	(622 737)	(590 158)
Operating income before impairment	**899 961**	**1 129 548**	**1 056 078**	**1 306 734**	**1 381 999**
Expected credit losses/impairment expense	**(98 706)**	17 196	(25 771)	(169 101)	(361 491)
Operating income before taxation	**801 255**	**1 146 744**	**1 030 307**	**1 137 633**	**1 020 508**
Taxation	**(332 311)**	(417 243)	(399 434)	(411 295)	(510 026)
Profit for the year	**468 944**	**729 501**	**630 873**	**726 338**	**510 482**
Appropriations					
Dividends	**(332 726)**	(332 891)	(246 642)	(161 499)	(463 289)
Retained income	**136 218**	**396 610**	**384 231**	**564 839**	**47 193**
Attributable to:					
Equity holders of the parent company	**401 903**	671 554	575 718	652 239	438 639
Non-controlling interests	**67 041**	57 947	55 155	74 099	71 843
	468 944	**729 501**	**630 873**	**726 338**	**510 482**

The supplementary information presented does not form part of the annual financial statements of the Group, and is unaudited.

ANALYSIS OF **SHAREHOLDING**

Top ten shareholders			31 December 2022 Shares held Number (000s)	%
Botswana Life Insurance Limited	Botswana	Non Public	597 236	27,79
FNB BOTSWANA NOMINEES RE: BIFM - ACT MEM & DP EQ	Botswana	Public	405 529	18,87
Botswana Public Pension Fund Vunani	Botswana	Public	251 001	11,68
Stanbic Nominees Botswana Re Bpopf Wt Pro Port Mcp	Botswana	Public	77 601	3,61
Scbn (Pty) Ltd Re: Citi 024/76 Scbn (Pty) Ltd Re: Citi 024/76	Botswana	Public	73 572	3,42
Meeta Anadkat	Botswana	Public	63 053	2,93
Business Doctor Investment Limited	Botswana	Public	51 339	2,39
Stanbic Nominees Botswana Re Bifm Mlf	Botswana	Public	46 735	2,17
Stanbic Nominees Botswana Re Bifm Plef	Botswana	Public	44 870	2,09
Stanbic Nominees Botswana Re Morula Re Dpf	Botswana	Public	28 650	1,33
			1 639 585	**76,29**
Other corporate entities, nominees and trusts and individuals			505 539	23,52
Treasury shares			3 990	0,19
Total			**2 149 114**	**100.00**

Name	31 December 2022 Number of Shareholders	%	31 December 2022 Number of Share held (000s)	%
Total Public Shareholders	3 267	99,5%	1 535 073	71,4%
Total Non-Public Shareholders	18	0,5%	614 041	28,6%
Total Shareholders	3 285	100,0%	2 149 114	100,0%

Top ten shareholders		31 December 2021 Shares held Number (000s)	%
Botswana Life Insurance Limited	Non Public	597 236	27.86
Vunani Fund Managers – BPOPF	Public	252 169	11.76
BIFM BPOPF – Active Members And Deferred Pensioners	Public	217 994	10.17
ADP I Holding 2	Public	180 484	8.42
Hitesh Natwarlal Anadkat	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	Public	51 339	2.39
BIFM Professional Local Equity Fund	Public	38 469	1.79
BIFM Market Linked Fund	Public	36 281	1.69
		1 549 201	**72.26**
Other corporate entities, nominees and trusts and individuals		585 622	27.31
Treasury shares		9 223	0.43
Total		**2 144 046**	**100.00**

Name	31 December 2021 Number of Share held (000s)	%
Total Public Shareholders	1 641 851	76,6
Total Non-Public Shareholders	502 195	23,4
Total Shareholders	**2 144 046**	**100,0**

Directors' shareholdings

Directors' shareholdings	31 December 2022 Shares held Number ('000)	%	31 December 2021 Shares held Number ('000)	%
Aobakwe Aupa Monyatsi	442	–	–	–
Tinotenda Gwendoline Muteiwa	79	–	–	–
Hannington Karuhanga*	–	–	29	–
	521	**–**	**29**	**–**

* Resigned 22 June 2022.

www.letshego.com